

Main Report

# **FAIR AND FLEXIBLE FUNDING: A WELSH MODEL TO PROMOTE QUALITY AND ACCESS IN HIGHER EDUCATION**

Final Report of an Independent Study  
into the Devolution of the Student Support System  
and Tuition Fee Regime in Wales  
*(The Rees Review)*

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May 2005

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## Preface and Acknowledgements

The Higher Education Act 2004 devolved responsibility for elements of higher education funding and student support to the National Assembly for Wales. Jane Davidson AM, the Welsh Assembly Government Minister for Education and Lifelong Learning, invited us to conduct an *Independent Study into the Devolution of the Student Support System and Tuition Fee Regime to Wales* to advise her on how best to use these powers. This is our final report in response to this brief. It summarises the evidence we have received and sets out our thinking. It offers our recommendations for how best in our view the devolved powers should be used, within the context of a UK higher education sector, to ensure an adequately funded sector for Wales and fair and flexible support for students.

Members of the Review Group were set an extremely challenging task. There are no easy options for guaranteeing a robust, adequately resourced higher education sector and a fair and equitable student support system while seeking at the same time to achieve the broader ambitions that the National Assembly has for Wales. This is particularly the case given pressing legal and financial constraints. We all agree that we feel to an unwelcome extent hemmed in by 'givens' in the UK system. This report discusses some of the issues we faced in seeking to produce our recommendations.

In our Progress Report published in March 2005, we set out six options that received wide debate. Options 4 and 5, both of which could be described as a Welsh model, fared best in our feasibility testing and emerged as strong favourites. Our Final Report therefore focuses on developing and recommending the ideas in these options.

During the course of our deliberations, we have received considerable input and support from a wide range of individuals and organisations within Wales and beyond, for which we are most grateful. Members of the Group have been unstinting in their efforts to grapple with the issues and to work in a remarkable spirit of collegiality, despite many differences of opinion. I am enormously grateful to them for making my role as Chair such a pleasure. We have also been provided with first class support from the small team of Assembly officials seconded to this project. Although convention dictates that civil servants should remain anonymous, we wish to record that we are all especially indebted to Neil Surman for his exceptional and perpetually cheerful response to the heavy demands made upon his expertise and time by the Group. Claire Smetherham and Mike Tomlinson, both completing doctorates, were the Group's long suffering report writers, ably turning drafts round to a very tight timetable. Finally, we are grateful to our employers and our families for granting us the time needed to complete the task.

We are of the view that our recommendations are evidence based, fit for purpose and will find support among key stakeholders. We believe they combine pragmatism with innovation to deliver a Welsh model. We have 'road tested' them on key individuals and organisations. We support them unanimously: in the detail where we differ, we have proposed choices but within a common framework. I commend our recommendations to you, as a package, on behalf of the Group.

Professor Teresa Rees AcSS CBE

Chair, Independent Study into the Devolution of the  
Student Support System and Tuition Fee Regime to Wales

Cardiff, April 2005

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*Research Report 1: A Review of Research on Student Support Systems and Tuition Fee Regimes, with a special focus on Wales*

Dr Dean Stroud, Dr Chris Taylor and Claire Smetherham, School of Social Science, Cardiff University

*Research Report 2: Attitudes to Participation in Higher Education*

Professor John Fitz, Dr Chris Taylor, School of Social Sciences, Cardiff University,  
School of Social Sciences, Cardiff University  
Dr Lesley Pugsley, School of Postgraduate Medical and Dental Education,  
Cardiff University

*Research Report 3: Participation in Higher Education, Wales*

Dr Chris Taylor, School of Social Sciences, Cardiff University  
Professor Stephen Gorard, Department of Educational Studies, York University

*Research Report 4: The Changing Graduate Labour Market: A Review of the Evidence*

Phillip Brown (with Claire Smetherham) School of Social Sciences, Cardiff University

Note: As well as the final report and all its appendices, the attached CD includes the following Briefing Papers on Research Report 1: The Graduate Labour Market Research Project:

*No. 1 The Knowledge-Based Economy in Wales: A Comparative Analysis*

Dr Anthony Hesketh, Lancaster University Management School

*No. 2 A Report on Graduate Earnings: Theory and Empirical Analysis*

Prof. Hugh Lauder, Education Department, University of Bath  
Prof. Muriel Egerton, Institute for Social and Economic Research, University of Essex  
Prof. Phillip Brown, School of Social Sciences, Cardiff University

*No. 3 A Review of the Literature on Graduate Employment,*

*Underemployment and Unemployment*  
Claire Smetherham, School of Social Sciences, Cardiff University

*No. 4 Graduate Pay in Wales*

Dr. Johnny Sung and Prof. David Ashton, Centre for Labour Market Studies,  
Leicester University

*No. 5 An Analysis of Graduate Demand, Employment and Income in Wales*

Prof. Ralph Fevre, School of Social Sciences, Cardiff University

*No. 6 The Geography of Work Skills: A Focus on Wales*

Prof. Alan Felstead, Centre for Labour Market Studies, Leicester University

*No. 7 An Overview of the Labour Market Destinations and outcomes of Welsh Domicile  
and Welsh HEI Graduates*

Michael Tomlinson, School of Social Sciences, Cardiff University

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## Foreword by Minister



The Assembly Government made a manifesto commitment not to introduce university top up fees in Wales for the term of the second Assembly. We have honoured that commitment. Following the delegation of the functions of the Higher Education Act of 2004 to the Assembly, we promised to introduce a Supplementary Income Stream for our universities in 2006-07 so that they would not be disadvantaged compared to higher education institutions elsewhere in the UK.

We maintain that commitment. We also agreed that students ordinarily resident in Wales would receive a student support package no less generous than that which they might have received from the DfES. We maintain that commitment.

The Higher Education Act 2004 represents a significant step forward for devolution. For the first time, the Assembly is able to take a whole-system view of further and higher education in Wales. With the new powers available to us from September 2006, we will have full control over the levers necessary to build on our strategy to develop the higher education sector - its learning, teaching and research capacity.

The 2004 Act allows the Assembly to set its own student support and tuition fee regime in Wales. I have been determined throughout that our decisions on these crucial issues should be based on the best evidence available. In early 2004, I therefore asked Professor Teresa Rees to chair an independent study to advise on the most appropriate arrangements for Wales. Supported by a panel of experts drawn from higher and further education and from across the United Kingdom, Professor Rees has undertaken a thorough and comprehensive review which has culminated in the report presented here.

Higher education makes a difference to all our lives. As this report acknowledges, a strong and vibrant higher education sector is crucial to the future success of Wales as a knowledge-driven economy; it is also one of the essential building blocks of Welsh culture and contributes significantly to the civic health of the society in which we all share. At the same time, I want to see a student support system in Wales which meets the particular needs of Welsh learners – both full time and part time – and which helps to support our widening access agenda.

I am grateful to Professor Rees and other members of the review group for their immense hard work and the careful consideration they have given to the issues before them. The recommendations in this report are far reaching; its findings present a challenge to us all to ensure that higher education in Wales continues to flourish in an increasingly competitive global environment.

A handwritten signature in black ink that reads "Jane Davidson".

**Jane Davidson AM**

## List of Abbreviations

<b>ALG</b>	Assembly Learning Grant
<b>AUT</b>	Association of University Teachers
<b>AY</b>	Academic Year
<b>CATS</b>	Credit Accumulation and Transfer Scheme
<b>CBI</b>	Confederation of British Industry
<b>CPD</b>	Continuing Professional Development
<b>DfES</b>	Department for Education and Skills.
<b>DHFETE</b>	Department for Higher and Further Education, Training and Employment (Northern Ireland)
<b>DSA</b>	Disabled Students' Allowance
<b>DWP</b>	Department for Work and Pensions
<b>EC</b>	European Community
<b>ECJ</b>	European Court of Justice
<b>EFL</b>	English as a Foreign Language
<b>ELL</b>	Education and Lifelong Learning
<b>ELWa</b>	Education and Learning Wales
<b>EMA</b>	Education Maintenance Allowance
<b>ESIB</b>	National Union of Students in Europe
<b>ESRC</b>	Economic and Social Research Council
<b>EU</b>	European Union
<b>FCF</b>	Financial Contingency Fund
<b>FDS</b>	First Destination Survey
<b>FE</b>	Further Education
<b>FEI</b>	Further Education Institution
<b>FF</b>	Fixed Fee
<b>FT/PT</b>	Full time/Part Time
<b>FTE</b>	Full time Equivalent
<b>GDP</b>	Gross Domestic Product
<b>GNVQ</b>	General National Vocational Qualification
<b>HE</b>	Higher Education
<b>HEFCE</b>	Higher Education Funding Council for England
<b>HEFCW</b>	Higher Education Funding Council for Wales
<b>HEI</b>	Higher Education Institution
<b>HEPI</b>	Higher Education Policy Institute
<b>HERO</b>	Higher Education and Research Opportunities (HE portal)
<b>HESA</b>	Higher Education Statistics Agency
<b>HEW</b>	Higher Education Wales
<b>HNC/D</b>	Higher National Certificate/Diploma
<b>ICT</b>	Information and Communication Technology
<b>ILT</b>	Institute for Learning and Teaching
<b>IT</b>	Information Technology

<b>LEA</b>	Local Education Authority
<b>LGBT</b>	Lesbian, gay, bi-sexual and trans-gender
<b>LSC</b>	Learning and Skills Council
<b>NAfW</b>	National Assembly for Wales
<b>NATFHE</b>	National Association of Teachers in Further and Higher Education
<b>NARIC</b>	National Recognition Information Centre
<b>NBS</b>	National Bursary Scheme
<b>NDPB</b>	Non-departmental Public Body
<b>NEWI</b>	North East Wales Institute
<b>NHS</b>	National Health Service
<b>NIACE</b>	National Institute for Adult and Continuing Education
<b>NIHEC</b>	Northern Ireland Higher Education Council
<b>NS-SEC</b>	National Statistics Socio-Economic Classification
<b>NUS</b>	National Union of Students
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>OFFA</b>	Office for Fair Access
<b>OU</b>	Open University
<b>PI</b>	Performance Indicator
<b>PLA</b>	Parent Learning Fund
<b>QAA</b>	Quality Assurance Agency for Higher Education
<b>QCA</b>	Qualifications and Curriculum Authority
<b>RAB</b>	Resource Accounting and Budgeting
<b>RAE</b>	Research Assessment Exercise
<b>RIA</b>	Regulatory Impact Assessment
<b>RR</b>	Rees Review
<b>RWCMD</b>	Royal Welsh College of Music and Drama
<b>SHEFC</b>	Scottish Higher Education Funding Council
<b>SIS</b>	Supplementary Income Stream
<b>SKILL</b>	National Bureau for Students with Disabilities
<b>SLC</b>	Student Loans Company
<b>UAL</b>	University Association of Lecturers
<b>UALL</b>	Universities Association for Lifelong Learning
<b>UCAS</b>	Universities and Colleges Admissions Service
<b>Ufi</b>	University for Industry
<b>UKCOSA</b>	United Kingdom Council for Overseas Student Affairs
<b>UUK</b>	Universities UK
<b>UWE</b>	University West of England
<b>VF</b>	Variable Fee
<b>WAF</b>	Widening Access Fund
<b>WAG</b>	Welsh Assembly Government
<b>WDA</b>	Welsh Development Agency
<b>WTUC</b>	Wales Trades Union Congress

## Members of the Rees Review Group

### Name

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Professor Richard B. Davies	Vice Chancellor, University of Wales Swansea
* Mr Rob Humphreys	Lecturer, Department of Continuing Adult Education, University of Wales, Swansea; Chair of NIACE Dysgu Cymru
Ms Gerry Jenson	Assistant Principal, Coleg Llandrillo Cymru
Mr Darren McGinley	President, Students Union, Trinity College Carmarthen
* Professor Teresa Rees CBE (Chair)	Pro Vice Chancellor, Cardiff University
* Dr Sonia Reynolds	Director of Dysg
* Mr Ken Richards	University of Wales, Aberystwyth (recently retired)
* Judge Ray Singh CBE	Barrister at Law
Ms Eileen Smith	Student Finance, Bridgend County Council
Ms Felicity Williams	General Secretary, Wales TUC; Governor, Glamorgan University
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\* An asterisk denotes that the individual was also a member of the Independent Investigation Group on Student Hardship and Funding in Wales, 2000-2001

Biographies of the members of the Rees Review Group appear in Appendix I

## Executive Summary

Jane Davidson AM, the Welsh Assembly Government (WAG) Minister for Education and Lifelong Learning, invited us to conduct an *Independent Study into the Devolution of the Student Support System and Tuition Fee Regime to Wales*. The purpose was to make recommendations on how to use powers in the *Higher Education Act 2004*, which devolved responsibility for elements of higher education (HE) funding and student support in Wales to the National Assembly.

The specific aim of the Review was to produce a report, with relevant evidence, designed to inform Assembly Government and Higher Education Funding Council for Wales (HEFCW) decisions about future policy towards student support and the financing of the HE sector, and to make recommendations to the Minister as regards the applicability or otherwise of variable fees in Wales.

We are all firmly of the view that Wales needs an HE sector that conducts world-class research and provides excellence in teaching in order to contribute to a vibrant, prosperous knowledge-based economy. A strong, well-resourced HE sector makes a major contribution to the health and vitality of civic and cultural life. A poorly resourced HE sector in Wales, particularly if the overall financial position of Welsh HEIs were to decline relative to that of HEIs elsewhere in the UK, would result in a loss of teaching and research staff. Such a scenario could itself have further impacts upon the financing of Welsh HEIs: the number of students choosing to study in Wales would almost certainly decline and research capacity would be reduced. Income from research grants and related funding would therefore also decline, as would the opportunities for spinout companies, technology transfer and capacity building. This would represent a loss to everyone in Wales, not just to those who study or work in HE. Our economy, our levels of skills and earnings and our wider culture would be impoverished.

We also believe that students need to be adequately supported during their studies. We share concerns about students undertaking long hours of paid work to support themselves and the deleterious effect that this has on their studies and their experience of HE. We are also conscious that opportunities for such paid work are not available to all, and that fear of debt can deter potential students from pursuing a degree.

Members of the Review Group were set an extremely challenging task. There are no easy options for guaranteeing a robust, well-resourced HE sector and a fair and equitable student support system while at the same time seeking to achieve the broader ambitions that the National Assembly has for Wales. This is particularly the case given pressing financial and legal constraints. We all agree that we feel to an unwelcome extent hemmed in by 'givens' in the UK system.

We developed guiding principles to inform our approach to the task and to test our ideas as they emerged. They reflect our commitment to the promotion of the knowledge economy, social inclusion and an enhanced civil society. This entails promoting institutional autonomy, academic freedom, equality of opportunity and widening access and participation.

The diversity of Higher Education Institution (HEI) missions, types of students and their modes of study, especially part time study, need to be respected. Our recommendations need to shape a system that is flexible and fair, clear and consistent.

We took a collegial approach in our mode of working. We started from very different positions on some of the issues, and some members of the Group were of a clear view that HE should be freely available to all eligible students. We were mindful too of the vote in the National Assembly for Wales (NAfW) that variable fees are in principle wrong - a perspective some of us share, while others do not. However, we agreed to take an evidence-based approach, and to assess the intended and sometimes unintended consequences of different approaches to funding HE and student support on institutions and individuals, in all their variety. We sought to come to a unanimous set of recommendations, rooted in evidence, that fulfilled the brief and were consistent with our guiding principles. This, despite differences of emphasis in places in this report, we have managed to achieve.

To inform our deliberations, we commissioned an international research review. We also commissioned new research on the graduate labour market; patterns of access and participation; and the views of young people, especially in areas of socio-economic disadvantage in Wales, on going to university. One of the most striking points that emerged was that, irrespective of socio-economic background, the vast majority of those qualified to go to university in Wales, do so. These studies produced rich data which informed our thinking. However, more research work is needed on the differing patterns of recruitment of the various HEIs, on part time students and access and participation measures directed at adults.

We consulted a wide range of stakeholders, who generously provided a wealth of written and oral evidence. We participated in a large number of meetings and events in Wales, the UK and further afield to hear views and solicit expertise and experiences. We hosted open and closed seminars to discuss emerging ideas.

We familiarised ourselves with the economic, education and social inclusion policy framework of Wales, as well as the broader context of the UK, European Union (EU) and global policy developments. Key factors included the role of research in a knowledge-based economy, the expansion of the HE sector, the sensitivities of cross border flows of students and staff, access and participation, quality, equality and technology changes. We were also mindful of emerging legal factors, such as the impact of the Bidar case on maintenance support for non-UK EU nationals.

Many of us participated in a similar review, the Independent Investigation on Student Hardship and Funding in Wales, in 2001. We were pleased that many of our recommendations in that report were implemented by the Welsh Assembly Government (WAG). They included the (re)introduction of maintenance grants in Wales (Assembly Learning Grants) for both full and part time students, in HE and further education (FE); and a composite Financial Contingency Fund to address hardship experienced by students at Welsh HEIs and FE institutions. We are also pleased that maintenance grants are now being introduced for full time students in England too, by the Westminster Government. We also recommended that up-front tuition fees should be replaced by an end-loaded, income-contingent graduate

endowment contribution. We were therefore delighted that the provisions of the Higher Education Act 2004 mean that, in future, there will be no need for full time students to pay up-front fees: instead they will pay when they are employed as graduates, at a rate contingent upon level of earnings.

There are currently 12 HEIs in Wales (after a recent merger between Cardiff University and the University of Wales College of Medicine); these 12 HEIs have a wide range of missions. Their three main sources of income are public funding through a core grant from HEFCW, research income, and fees from students (including overseas students). The Open University in Wales is another significant provider of HE in Wales, especially for part time students, and its funding is currently being transferred to HEFCW.

In 2002/3, there were nearly 120,000 students studying at HE level in Wales, of whom 49% of all first years were part time students; the highest figure in the UK. Wales is a 'net importer' of students: 37% of Welsh domiciled first degree full time students study in England but 44% of students at Welsh HEIs are from England. A very important finding of our research was that just a minor fluctuation in these cross border flows could lead to Welsh domiciled students being squeezed out by better qualified applicants from elsewhere. It could also cause major viability problems for some institutions, and could have serious financial implications for the Assembly budget.

FE colleges have an important role to play in responding to the demand for higher level vocational skills in the local economy and in widening access to HE. There are 21 FE colleges in Wales that deliver HE courses; eight receive funding directly from HEFCW, the rest being funded via franchise arrangements with HEI partners. In 2004/5, approximately 7,500 students accessed HE courses at an FE college. The majority are mature students; many studying part time. FE colleges also provide Foundation Degrees, for example in science and engineering.

The HE sector in the UK has suffered years of under-investment. This has led to a run down infrastructure, a squeeze on salaries and deleterious staff/student ratios. In England, Scotland and Northern Ireland, this funding gap is partly being addressed through budget increases. In all three countries, graduates will be making a greater financial contribution to the costs of HE. The Department for Education and Skills (DfES) will be making a substantial contribution to subsidising fee and maintenance loans, and has made a commitment that any growth in student numbers will be fully funded. DfES has also undertaken to pay the full economic cost of Research Council supported research projects (Welsh HEIs successful in applications for such funds will benefit from this particular measure). The Assembly budget will benefit from the DfES commitment to fund means-tested maintenance grants.

One recent estimate of the funding gap in Wales suggests that it is much larger than previously thought, standing at £330m for the period 2005/6 - 2007/8. This is more than double the previous estimate of about £50m per annum. Meeting this gap is a serious but essential challenge. The main task for our Group, in effect, is to make recommendations for addressing this gap in the context of devolved powers. The sector needs much more investment in order to become more competitive in the UK and internationally, and to achieve the ambitions that the WAG has for it to deliver on its broader agenda. Income levels will need to increase significantly to enable HEIs to strengthen their infrastructure, improve



quality and build upon their research, teaching and third mission capabilities. In addition to addressing the historic funding gap in Wales, it is important that the Wales is not now relatively disadvantaged by the enhanced investment being made in the HE sector elsewhere in the UK.

Since HE is both a public and a private good, the cost of this additional investment should be shared, principally between taxpayers and graduates, but also, to a lesser extent, by students and their families, employers and the wider community. It is fair that the bulk of new investment in HE should be financed from public funds, since Wales as a whole will be enriched by the economic, social and cultural benefits. However, given the constraints under which the Assembly operates, we have come to the view that it is also reasonable that graduates should make a contribution to the cost of HE, since they will benefit financially and in other ways.

None of our stakeholders was able to identify viable alternative sources of income other than the public purse or graduate contributions. Of course, there are some other potential sources of revenue, but their impact is likely to be marginal. They include contributions from alumni, employer partnerships and efficiency savings. Some courses charge full cost tuition fees (for example for continued professional development), and there is some limited potential growth in the recruitment of non EU overseas students, who pay higher fees. We certainly recommend HEIs explore these options more vigorously. However, none of these sources, singly or combined, is adequate to meet the funding gap.

Our main recommendations, therefore, identify the public purse and graduates as the main sources of additional income to make good the funding gap. We also make recommendations on how students can be better supported while they are studying. There are further recommendations on part time students, on improving information and advice, on promoting access and participation, on earning and learning, on monitoring, evaluation and research and on improving the post devolution HE strategy framework. Our emphasis is on ensuring sufficient resource to enhance the quality of teaching and research while promoting access and participation. However, our proposals will not meet the funding gap in its entirety. The WAG will need to increase further its investment in HE especially if there is further growth in student numbers.

In our Progress Report, published in March 2005, we presented six options for a fee and student support regime in Wales. They did not include the total abolition of fees in Wales, despite the fact that this was very attractive to some stakeholders and, indeed initially, to some members of the Group. However, an analysis of the feasibility of such an approach revealed it would impose a disproportionate burden on the Assembly budget and it would have a potentially destabilising effect on HEIs in Wales because of the likely impact on cross-border flows. Assembly resources would in effect be subsidising well qualified non-Welsh domiciled students, attracted to Wales by free higher education. Group members decided that the total abolition of tuition fees was not a realistic option. Hence, it did not appear as one of our six options.



The six options identified were:

**Model 1 The Status Quo**

Fixed fee of about £1,200 a year for all full time UK and other EU undergraduates, plus subsidy from the WAG through a Supplementary Income Stream (SIS), to compensate Welsh HEIs for the loss of fee income.

**Model 2 £2,000 Fixed Fee**

Fixed fee of £2,000 a year; also requiring continued subsidy by the WAG, but at a lower level than under Option 1.

**Model 3 English Competitive Model**

Variable fees (as in England), subject to approval of fee plans by a relevant authority, as determined by the WAG (probably HEFCW).

**Model 4 Variable Fees with a National Bursary Scheme**

Variable fees (as in Option 3) but in place of the competitive bursary market in England, there would be a National Bursary Scheme (NBS).

**Model 5 Differential Variable Fees for Welsh and non-Welsh domiciles, with a National Bursary Scheme**

Variable fees and a NBS; but Welsh domiciled students would be charged lower fees than students domiciled in other UK countries, requiring an SIS from the WAG to compensate Welsh HEIs for the loss of income due to differential fees.

**Model 6 £3,000 Fixed Fee with a National Bursary Scheme**

Fixed fee of £3,000 a year, with a National Bursary Scheme (NBS).

Each model had its strengths and weaknesses: a set of risks in terms of cross border flows, legal implications, potential impact on institutional autonomy, agility of HEIs to respond to changes in the market, costs to the Assembly, and so on. We costed all the models and discussed them with stakeholders. On balance, Options 4 and 5 received the most support as best meeting the needs of the HE sector and of students.

There are some commonalities between Options 4 and 5. They both require a variable fee system and a NBS. The main difference between them is that Option 5 involves lower fees for Welsh domiciled students to study in Wales and therefore a larger contribution from the WAG budget. The Group is unanimous on the common features of Options 4 and 5, but there are differences of views on the feasibility and affordability of differential variable fees for Welsh domiciled students. The Group's recommendations have therefore been designed with the flexibility necessary for the Assembly to make that choice.

The WAG commitment on fees in 2006/7 stated that variable fees would not be introduced in Welsh HEIs in 2006/7, but no decision has yet been taken about fees in subsequent years. The Group was divided on the issue of whether fee protection should be guaranteed for the

whole of their course for the cohort of students entering HEIs in Wales in 2006/7. If fixed fees were to be maintained throughout the three or four years of a degree course, it could have serious implications for cross-border flows. It would also have significant financial implications for the WAG budget. For these reasons, some members of the Group took the view that protection should be given only for the first year of a course, with students expected to pay the same fees as others in 2007/8 and thereafter. Other members had concerns about the fairness of such a policy; there was concern that either policy might set an unwelcome precedent in Wales.

There are pros and cons on both sides of the argument and the Group was sharply divided on the issue. Members were unanimous, however, on the need to remove the uncertainty relating to this cohort as a matter of urgency. While this persists, students may be discouraged from entering HE because of uncertainty about costs. We are also convinced that it is important, for the sake of clarity, to ensure that from 2007/8 all students in Wales will be entitled to the same level of student support.

We have had the opportunity to observe emerging patterns in England on approaches to variable fees and fee plans regulated through the Office for Fair Access. While almost universally institutions are charging the full £3,000 fee, there is a bewildering market in bursaries, scholarships and special offers targeting those from lower socio-economic groups and the well qualified. This market can be especially difficult for those from disadvantaged areas to negotiate. A clear message from students has been for clarity and transparency in information about courses and costs. We also note that the English system sets HEIs in competition with each other for a finite number of students. Competition is not being used here to grow the market, but in effect to substitute some applicants for others to satisfy access plans. Learning from all this, we are proposing a National Bursary Scheme which is simple and easy to administer, which builds upon collaboration among institutions in Wales, and puts resource firmly and simply in the hands of students, to take with them wherever and whatever they wish to study. HEIs can retain some flexibility to add to the NBS to address their own missions. The NAFW can also build upon the NBS to target extra resource strategically as they wish, for example, to encourage growth in Welsh medium teaching or in certain subject areas to address labour market shortages.

We have been especially mindful of the needs of part time students. Their diversity and the fact that little is known about that diversity posed challenges for us in identifying recommendations. However, we know that part time students constitute over 40 per cent of the student body in Wales, that part time study is an important access route to HE and that many part time students have particular needs in terms of childcare, transport and balancing work and study. We make proposals which are framed in a desire that part time students should be treated in line with full time students, on a pro rata basis, but we call for more work to be carried out in order to develop an equitable system which is practicable, and which does not jeopardise existing provision.

We have sought to address access and participation issues more broadly, bearing in mind the research finding that the vast majority of young people who are suitably qualified tend to go to university; measures are needed to enable others to become eligible, and to enhance and develop access routes for mature age learners. This involves investing more in early years and

in adult education. We emphasise important issues in calling for the scoping, implementation and monitoring of our proposed HE funding and student support measures. In particular, while we have sought to ensure that equality issues are addressed in the broad brush design of the proposals, there will need to be thorough equality proofing in the development, implementation and review phases.

We see these recommendations as a coherent package, and warn against picking and choosing between them, except as we have specified, on the issue of special treatment for Welsh domiciles studying at Welsh HEIs. There are lessons to be learnt from the responses to the Dearing Report<sup>1</sup> on HE and the Cubie Report<sup>2</sup> on student support in Scotland, where the fact that implementation of recommendations was partial rather than complete was later regretted. A summary of our recommendations follows. More detailed versions appear in the main report.

## **Main Recommendations**

### *Recommendation 1: Deferred Flexible Fees*

We recommend the Assembly commence the powers, granted by the *Higher Education Act 2004*, to permit Welsh HEIs to charge full time undergraduate students deferred flexible (we prefer this term to variable) fees, from 2007/8, of up to £3,000. HEIs will be expected to report to HEFCW on how they are using the additional resource.

### *Recommendation 2: National Bursary Scheme*

We recommend a National Bursary Scheme (NBS) should be established, by top-slicing the additional fee income to HEIs to provide targeted bursaries to both Welsh domiciled and non-Welsh domiciled UK students at Welsh HEIs. The NBS should be self funded and sector led. Bursaries should be means tested and targeted at students with low incomes, but could also be targeted, for example, at mature students, or those with dependants, those studying through the medium of Welsh, the highly qualified or those studying shortage subjects. The top slice should leave HEIs with enough resource to supplement the NBS to target their own priorities. The WAG can top up the NBS to promote strategic goals. No fee plans or Office for Fair Access would be needed, but HEFCW's reviews of HEIs' access and participation plans should be bolstered to monitor performance.

### *Recommendation 3: Differential fees for Welsh domiciles at Welsh HEIs*

We recommend the Assembly conducts further analysis of the costs and the implications of providing financial incentives to encourage Welsh domiciled students to study in Wales. If the Assembly decides to impose differential fees for Welsh domiciled and for non-Welsh domiciled students, it should provide HEIs with adequate compensation on a recurrent basis, in the form of a Supplementary Income Stream (SIS) to cover the shortfall in income resulting from the imposition of differential fees. Alternatively, the Assembly may decide to offer Welsh domiciled students a fee grant, in which case the Assembly should ensure that

<sup>1</sup> National Committee of Inquiry into Higher Education (1997) *Report of the National Committee of Inquiry into Higher Education* London: HMSO (The Dearing Report)

<sup>2</sup> Independent Committee of Inquiry into Student Finance (2000a) *Student Financial Fairness for the Future* Edinburgh: Independent Committee of Inquiry into Student Finance (The Cubie Report)

sufficient funds are allocated from its annual budget to meet the costs of entitlement to a fee grant for all full time Welsh-domiciled students at Welsh HEIs. At the very least, the NBS should offer small, non means-tested bursaries for all full time Welsh domiciled students studying in Welsh HEIs, in order to provide incentives for Welsh domiciled students to choose to study in Wales.

#### *Recommendation 4: Part time students*

We recommend an Independent Review is established to make recommendations to the WAG on creating an affordable, practicable, simple and transparent system of fees and student support for part time students for implementation in 2007/8. Meanwhile, existing part time provision should not be jeopardised by significant increases in fees. We recommend that the WAG gives serious consideration to using that element of ALG funds currently allocated to full time Welsh domiciled students in HE, combined with that proportion of ALG money currently being paid to part time students in HE, to support new arrangements for part time students in Welsh HEIs. We recommend that scoping work be undertaken with a view to making the NBS open to Welsh domiciled part time students on a pro rata basis if they are studying 30 credits or more per year as part of a recognised scheme of study leading to a qualification. This should be completed in time to allow any introduction of appropriate NBS support for part time students alongside that for full time students.

#### *Recommendation 5: Equality proofing*

All the scoping and implementation phases should be thoroughly equality proofed, drawing upon professional expertise to ensure, in particular, equality on the grounds of sex, race and ethnic origin, disability, sexual orientation, faith, age and class, and to identify implications for the promotion of teaching through the medium of Welsh.

#### *Recommendation 6: WAG investment in HE sector*

The WAG needs significantly to increase its investment in the HE sector, to address the funding gap. The amount of that increased contribution is dependent upon decisions by the WAG in response to our recommendations about enhancing the graduate contribution.

#### *Subsidiary recommendations*

These recommendations are essentially about how to deliver on our main recommendations, addressing some of the key issues of access and participation, earning and learning, the development and implementation of student support systems, improving access to good quality information and advice, monitoring, review, evaluation and research and the post-devolution strategy framework.

#### *Recommendation 7: on investing in early years*

To increase the number of those qualified for HE, intervention has to start early on in the education system. We recommend devoting more resources to earlier levels of education, including projects and schemes aimed at raising aspirations and improving university readiness in areas of low participation.

### *Recommendation 8: on FE/HE interface*

We recommend the development of guidelines to underpin franchise arrangements, in consultation with HEIs and FE colleges, HEW and Fforwm, to include arrangements between FE colleges and HEIs regarding fees and access to the NBS for students in FE studying HE.

### *Recommendation 9: on HE as a route back to the labour market*

We recommend that consideration be given by WAG to exploring the feasibility of a pilot scheme, working with Jobcentres Plus in Wales, where the potential role for the unemployed of HE as a trajectory back to the labour market would be highlighted and considered more in job centre interviews. This process could be replicated in projects working with other groups of people on a trajectory back to the labour market.

### *Recommendation 10: on a scoping project on earning and learning*

We recommend that the WAG commissions a scoping project, led by the HE sector, Careers Wales, employers and ELWa, for exploring options for more satisfactory arrangements for earning while learning. This would address the issue of enhancing student employability, ensuring that paid work while studying would contribute more educationally and would be better regulated than at present. We specifically propose the scoping study explores:

- establishing a Graduate Apprenticeship Scheme which would combine learning and employment opportunities for students in structured and mutually reinforcing ways;
- the scope for more HEIs in Wales to offer students the opportunity of a year's paid work experience with an employer during their course; and
- the scope for HEIs to make further endeavours to offer campus based work opportunities, bearing in mind trade union issues.

### *Recommendation 11: on the implementation of student support systems:*

We recommend that the Assembly Government, in implementing the system of student support, ensures that it is flexible and fair by:

- improving the system of means-testing, and monitoring the effects of thresholds, to ensure money is more effectively targeted on the most needy students;
- ensuring the system of support for students addresses better the needs of students estranged from their parents, for whatever reason;
- equality proofing rigorously, paying careful attention, for example, to the interface between the system of support and disabled students' allowances; and
- providing simplicity and transparency in the design, dissemination and delivery of student support systems, particularly for part time students.

### *Recommendation 12: on a rich media information and advice system on HE and student support*

A free, clear and easy to understand and personalised communication system is needed for potential students, especially those making the transition between school, FE and HE and

especially those from low participation communities to enable them to understand what courses are available where and what it will cost to take them up. Careers teachers and advisers also need to be able to update themselves on student support and legislative changes in order to provide accurate and immediate advice. We recommend that the WAG set up a working group of partners, including Careers Wales and a telecoms provider, to scope, and if appropriate, undertake a feasibility trial of a state of the art broadband based 'rich media' environment to provide information and advice on HEIs in Wales and on student support for potential students and advisers, to enable them to keep up to date on changes. The technology could provide customised information and advice for potential students, with help in feeding-in information. It could also be used to provide training, which could be credentialised, for careers advice and guidance providers. This work builds upon the portal being developed by Careers Wales, but takes it to the next stage of technological capacity currently being developed. It also capitalises on the WAG's investment in bringing broadband to Community First areas. This scoping study and feasibility phase is likely to cost about £200,000, which WAG and the partners should provide.

### *Recommendation 13: on publicising the student support package*

We recommend an intensive multi-media publicity campaign to advertise the ALG, the FCF, NBS and other elements of the student support package, especially in the FE sector. In particular, for full time students, the message needs to be conveyed that - up front fees have been abolished, that graduates earning more than a certain amount pay the fees retrospectively, and that payments are dependent on a graduate's income. Examples of the loan repayment rate linked to income level should be provided in the publicity.

### *Recommendation 14: on monitoring, review, evaluation and research*

Significant changes are taking place in HE funding and student support in the UK. A sound statistical base is needed as a management tool, alongside focused research projects, to enable the WAG to evaluate the effects and impact of policies and their implementation and to maximise opportunities to respond flexibly and with agility to new challenges. This is particularly the case as decisions made by DfES can have significant effects in Wales, given the relative size of the two countries. We therefore recommend a commitment is made to annual expenditure to ensure monitoring, evaluation and research based assessment of the implementation and delivery of the new funding and student support system in the context of a changeable UK and EU policy framework. More specifically, we recommend:

- the measurement and monitoring of the public contribution to HE. It is important to guard against fee income being used to substitute for public investment. In England, a measure is already being used to calculate the real term unit of funding for teaching as variable fees are introduced. We recommend a comparable measure in Wales so that we can (i) ensure the unit of funding is sustained in the face of any expansion in the number of students, (ii) benchmark against England and (iii) be able to market HE in Wales to students by demonstrating transparency and equivalence of investment.

- the publication of annual statistics on the take up of all the different elements of the new student support system, including ALGs, FCFs and National Bursaries, by FE/HE, PT/FT status, local authority, the statutory equality dimensions and household income. They should be analysed and used as a management tool to monitor trends and distributional impact. They should also be developed into equality indicators to measure performance. These data are designed to be helpful in evaluating to what extent measures are targeting those in need and changing behaviour.
- after three years, there should be a review of the student support systems to identify strengths and weaknesses and identify areas for improvement.
- WAG should consider boosting the Welsh sample of relevant UK/GB national sample surveys (such as the Labour Force Survey) in order to allow more detailed analysis of the situation in Wales and to allow better comparisons to be made with other parts of the UK on education, skills and employment data.
- that WAG scopes and develops enhanced background data for individual students, to be used in an anonymised form to help evaluate measures designed to promote access. This has been discussed in Wales, and was a recommendation in the previous Rees Review. It is being developed currently in Scotland. In Wales, the Unique Pupil Number is being developed in schools for pre-16s (scheduled to be launched in Autumn 2005). There is also some data in the Lifelong Learning Wales Record held by ELWa. However, there is no post-16 identifier covering the whole FE/HE sector. Clearly, there are data protection issues to be explored.
- that WAG commissions a study of 15 year olds in schools and colleges to complement the commissioned research on attitudes to HE. It is at this age that students decide whether or not to proceed to post-compulsory education or training. This would facilitate a better understanding of patterns of participation.
- that WAG commissions a research project exploring how FE colleges and HEIs manage the FCF, and the pattern of claims made and awarded, in order to benchmark good practice and provide advice on how to target need more effectively.
- WAG commissions research on the needs and experiences of mature-aged students in HE in order to inform future policy, including an exploration of mature students' attitudes to debt and the graduate premium.
- WAG commissions research on widening access and increasing participation schemes, incorporating qualitative research to examine the effect that they are having on potential students and to explore the extent to which existing access schemes are successful in making a difference. The research should pay attention to the issue of drop out and retention.



### *Recommendation 15: on other sources of funding*

We recommend that HEIs pursue more vigorously other sources of funding, such as research contracts and grants, alumni and other donations, full cost fees from overseas students and from employers for courses for professional development, and partnerships with industry, business and other public or private sector employers.

### *Recommendation 16: on the post-devolution strategy framework*

We recommend the establishment of a post-devolution strategy framework that allows for long-term planning of future policy. Although outside our remit, we recommend that further attention be given to the role of the existing Joint Ministerial Committee, not only in Wales but also at a wider UK level. To make a success of devolution it is essential that a robust framework be in place to facilitate speedy informational flow and to provide advanced warning from DfES of major policy changes in England. There is therefore a need to ensure that the Joint Ministerial Committee meets regularly, is an effective tool for dealing with UK and international issues, and should be underpinned by similar arrangements for senior civil servants.

## **Conclusion**

Our brief posed significant challenges for the Group. We have made a set of broad recommendations that we feel will deliver a better funded HE system and a fair and flexible student support system that should enable anyone eligible, whatever their circumstance, to feel encouraged to pursue HE. We operated under a serious number of constraints, especially given that HEIs in Wales operate within a global context where decisions made elsewhere can have profound effects.

One serious problem faced by the Group was that the situation was frequently changing, while we were considering evidence and options. In particular, new information, figures and statistics became available when we were already far advanced in our analysis and evaluation of options. This new information included information on tuition fee levels in England from 2006/7, estimates of the extent of under-funding of the Welsh HE sector and estimates of the costs to the Assembly budget of the various options we were considering. These new figures have been used in place of the estimates we gave in the Progress Report. Since in every case the most recent estimates of costs were *higher* than those provided earlier, we are confident that our conclusions are all the more valid. The most recent figures tend to strengthen, rather than weaken our conclusions and recommendations, and the evidence on which they are based.

There are a considerable number of details still to be worked out. However, we should like to convey a sense of urgency in the scoping and implementation phase. The sector, and the student population have lived in a period of uncertainty for some time. To put the HE sector and its students on a firm footing, some bold decisions are now needed. Within the context of the existing powers of the NAFW, we believe our recommendations will be as progressive as they can be in their effects and impact. We should like to see the fee and student support system we propose up and running for the 2007/8 academic year.



## 1. Introduction

**1.1.1** The *Higher Education Act 2004*, which received Royal Assent in July 2004, puts in place new funding arrangements for Higher Education (HE) in England, as well as devolving powers on these matters and student support to the National Assembly for Wales (NAfW). Within this context Jane Davidson AM, the Education and Lifelong Learning Minister of the Welsh Assembly Government (WAG), set up an Independent Review Group to advise her on sources of funding for HE and student support. The core of the brief seeks advice from the Group on:

- The use of devolved powers on tuition fees, bearing in mind the introduction of variable fees in England in 2006/7 and its likely effects, especially on access and funding, and;
- The use of devolved powers on student support, while seeking to avoid potential problems with the English system (particularly on equity issues).

**1.1.2** The members of the Review Group were appointed by the Minister, in some cases on the basis of a nomination from a relevant body. They have not however been appointed to represent the interests of any stakeholders. Considerable work has been undertaken by Group members and attendance has been close to 100% at each two-day monthly meeting. Members include a senior official from Universities UK, an academic economist from Scotland and the President of a student union at a Welsh HEI. All of the Group members have brought different areas of expertise, concern and understanding to our deliberations, and have contributed in various ways to broadening our understanding of the changing UK context on HE funding and student support. The biographies of the Group members appear in Appendix I.

**1.1.3** For many members of the Review Group, this was the second time that we had been invited by the Minister to deliberate on HE issues. In December 2000, the Minister set up the Independent Investigation Group on Student Hardship and Funding in Wales, which reported in June 2001<sup>3</sup>. In that report, 53 recommendations were made, and we were pleased that most of them have been implemented, including the re-introduction of student maintenance grants in Wales (the Assembly Learning Grants, ALGs). We were particularly gratified that our recommendations that both full and part time higher and further education students should be eligible for these grants on a means-tested basis were implemented. We also recommended an increase in the resources made available for student support, and the rationalisation of access and hardship funds into a Financial Contingency Fund (FCF), both of which have happened. We recommended too that the Assembly use its offices to encourage the Westminster Government to abolish up-front fees in favour of an end-loaded, income-contingent graduate endowment contribution. In other words, students should be expected to make a contribution to the cost of their degree only when they benefit from the 'graduate premium' in terms of enhanced earnings, rather than when enrolling. This helps to take the risk out of the students' investment. We are pleased that this has been introduced by the *Higher Education Act 2004*. However, devolution of powers to determine fees for HE and student support, while welcome, creates enormous difficulties given that Welsh HEIs are operating in a UK and increasingly global HE market.

**1.1.4** Group Members strongly agree that a well-funded, healthy and vibrant HE sector in Wales, combining excellence in research and teaching with fair and inclusive access, is vital for promoting a prosperous, knowledge-driven economy and a mature civic society where individuals can engage in lifelong learning and are able to fulfil their potential. Welsh society would be impoverished without a well-funded HE sector. The Group is strongly of the view that adequate and sustained funding for Welsh HEIs is essential in order to allow the sector to compete effectively and contribute innovatively to Welsh life. Because of past under-investment, this requires substantial additional resources. We believe that student fees should not be seen as a way of substituting for public funding of HE. Yet, at the same time, we also recognise the constraints and the need for funding from students themselves as part of a sustainable strategy of cost-sharing.

**1.1.5** The Review Group is mindful of the priorities of WAG, and takes heed of the budgetary constraints under which it operates. The HE sector needs to be cost effective, but it also needs to be funded no less adequately in Wales than in the rest of the UK. HE is an investment for both individuals and society. We believe that in making choices, students should be guided by their interests, abilities and career prospects, within a framework that supports the needs of the Welsh economy and labour market; these choices should not be driven purely by short term considerations of price. Similarly, university admission policies should reflect student and labour market demands, rather than simply increasing the supply of courses in certain subjects because they cost less.

**1.1.6** The Review Group is at the same time mindful of the diversity of institutions and their missions within Wales, and of the range of types of student, including part time students, and various modes of learning such as distance and e-learning. We are conscious of the role of further education and franchise arrangements in delivering HE in Wales. We fully appreciate the need to protect the autonomy of Welsh HEIs to pursue their respective missions to the best of their ability. In considering the future funding of HEIs and student support arrangements in Wales, we have been aware of the importance of several key issues. These include, for example, cross border flows of students and staff, legal implications and the need for HEIs to respond flexibly and speedily to changes in the market. Cross border flows of students are in particular highly sensitive: just a small increase or decrease in the proportion of students from England deciding to study in Wales, for example, can have a large impact on the number of places available to Welsh students. There could also be significant cross border flows of staff.

**1.1.7** Drawing on these and other background contextual factors, including the aspirations set out in WAG's policy documents such as *Reaching Higher*<sup>4</sup>, members of the Review Group developed a set of guiding principles. This was a similar exercise to that followed by the Independent Investigation Group on Student Hardship and Funding in Wales. We have used these principles both to focus the Group's work and to evaluate the range of options we considered on HE funding, fee regimes and student support mechanisms.

**1.1.8** In this final report, we make a series of recommendations in response to our brief. The terms of reference and guiding principles are set out in the following sections.

## 1.2 The Terms of Reference

1.2.1 The terms of reference given to us by the Minister were as follows:

### *Aim*

To produce by April 2005 a report, together with relevant evidence, designed to inform Assembly Government and Higher Education Funding Council for Wales (HEFCW) decisions about future policy towards student support and the financing of the HE sector, and to make recommendations to the Minister for Education and Lifelong Learning as regards the applicability or otherwise of variable fees in Wales.

### *Remit*

Taking account of the work of the Independent Investigation into Student Hardship and Funding in Wales, which reported in 2001, and developing that work as necessary, the Group will advise the Minister as regards:

- The shape and responsiveness of the existing student support system and the impact on students of changes since the previous independent investigation;
- The most appropriate use of newly transferred student support powers, particularly in relation to supporting access for the least advantaged students;
- The applicability of the devolved tuition fee powers to Wales;
- The opportunities offered by the transfer of these functions to support the delivery of public services in Wales;
- The likely impact in Wales of the introduction of variable fees in England from academic year 2006/7 onward;
- The likely effect of a) introducing variable fees in Wales from academic year 2007/8, and; b) not introducing variable fees in Wales on:
- The Welsh HE sector generally, with specific regard to matters of institutional reputation, viability and funding; quality of provision and operational responsiveness;
- Students - including those facing hardship;
- Cross border issues;
- The financial resources available to the WAG for the short, medium and long term, and
- Modelling the implications, and especially the likely responses of students and institutions, wherever practicable and appropriate.

1.2.2 We were also asked to take the needs of part time students fully into account in our deliberations.

1.2.3 There is a diversity of views within the Group as to the 'ideal' means by which HE should be funded. Some members take the view that as HE is a public good and provides wide and extensive societal benefits, tuition costs at undergraduate level should be paid for

from public taxation. Others believe that since HE also offers substantial private benefits, in the form of better job prospects and increased earnings for graduates, equity demands that costs should be shared by both taxpayers and graduates - all of whom will benefit from the investment. However, the Group as a whole is fully aware of the terms of the HE Act 2004 as they relate to Wales and England, and the more general legal and financial constraints under which the National Assembly operates. Working within our terms of reference, therefore, we are seeking to devise a system of HE funding and student support that best meets the needs of the sector as a whole, including the needs of individual students and HEIs as well as those of Welsh society and the labour market, within the structures and possibilities which presently pertain.

### 1.3 Our Guiding Principles

**1.3.1** Early in our deliberations we drew up what we describe as our Guiding Principles. These arose from careful consideration of the rightful roles of the HE system in Wales and how a funding and student support system might best enable HE to fulfil those roles, and at the same time be of maximum benefit to all students.

**1.3.2** In drafting the Guiding Principles we naturally drew upon our own terms of reference, but also upon the broad vision for HE laid out in the Welsh Assembly Government's Reaching Higher policy document (2002). In this document the Welsh Assembly Government states that:

*'HE makes a vitally important contribution to the prosperity of Wales as a whole. No country in Europe or beyond can nurture the best possible prospects for its people without strong, entrepreneurial and successful institutions of HE playing a major role in the development of the knowledge economy.'* (p.1)

**1.3.3** It goes on to state that HE has a central significance in:

*'enabling Wales to develop an international reputation as a place marked by creativity; entrepreneurial flair; and progressive, outward looking social engagement that attends as much to poverty of opportunity as to sustainable development.'* (p.22)

**1.3.4** Similarly, we noted that in the earlier review of HE<sup>5</sup>, conducted by the all-party Education and Lifelong Learning Committee of the National Assembly (2001), the case was made that there should be:

*'a higher education system in Wales that offers world-class research and teaching provision; a system that extends opportunities for lifelong learning to all; and a system that contributes to and nurtures the social, economic and cultural life of Wales.'* (Foreword to Report)

**1.3.5** We also noted the strong commitment to widening access to HE contained within both Reaching Higher and the Committee report.

**1.3.6** The differing approaches of the Westminster Government and the devolved Governments in Scotland and Northern Ireland to the issues of HE funding and student support were inevitably considered as part of our deliberations, particularly given the

importance of cross border flows of students within the UK. We studied the new system in England and the more general debate which the HE Act had prompted during its passage through Parliament, both as a possible model in itself and also in terms of its possible impact on HE and student recruitment and retention in Wales.

**1.3.7** Our guiding principles begin from the position that HE is vital to the future prosperity of Wales, given its unique role in the production, dissemination and application of knowledge, and its teaching of students of all ages at undergraduate and postgraduate levels. In doing so it enhances the economy of Wales, helps equip our citizens with the knowledge and skills they need and, in broader terms, contributes to social inclusion and the development and promotion of a rich and diverse civic and cultural life in Wales. The HE sector in Wales therefore has a necessary and rightful role in working for Wales and everyone, whether working or studying in HE or not, has an vested interest in seeing a vibrant, well-resourced and successful HE sector. Individual HEIs have important roles to play within their respective localities and regions, as well as within Wales as a whole, notably within the areas of widening access and 'third mission' activities.

**1.3.8** The role of HE goes further than the boundaries of Wales, however. In performing its role in the areas of research and knowledge production and application, HE in Wales operates, and will continue to operate, within an arena that is truly international. In addition, within the area of student recruitment, HE in Wales has, hitherto, operated in a way that is not sealed off from wider UK flows and influences. Bearing these matters in mind, our guiding principles are as set out below.

**1.3.9** Public funding for HE in Wales is based on the premise that a strong and well-resourced HE sector makes a major contribution to the Welsh economy and to the health and vitality of the civic and cultural life of Wales. It should therefore:

- enable HE in Wales to achieve its objectives of conducting world-class research and providing excellence in teaching;
- take due regard of the diverse missions of HE institutions in Wales;
- be managed and distributed in such a way as to promote institutional autonomy and academic freedom; and
- promote equality of opportunity and contribute to widening access.

**1.3.10** Support for students in HE should promote the knowledge economy, social inclusion and an enhanced civil society by being delivered through a system that:

- is responsive to, and tailored for, the needs of the society and economy of Wales;
- maximises opportunity for all to be able to access and participate in high quality HE;
- is adequately resourced and provides value for money;
- enables students to pursue their studies to the best of their ability;
- is enabling for the learner, regardless of age or chosen mode of study;

- recognises parity of esteem for different modes of study e.g. full and part time study and distance learning;
- is clear, simple, comprehensive and consistent;
- is flexible and responsive to both learner and provider, and easily administered;
- Is based on fairness and equality of opportunity, and in particular:
  - Assists in increasing participation in learning from those parts of Wales, and those sections of Welsh society, where existing levels of participation are low.
  - Is responsive to the circumstances of students with particular needs, such as older students, those with dependants and disabled students.
  - Takes regard of the fact that both Welsh and English are widely spoken in Wales, and that Wales is a multicultural society.
  - Is responsive to the needs of students from all parts of Wales, including those from geographically remote communities.

## 1.4 Our Mode of Working

### *Evidence-based and collegial approach*

**1.4.1** The Review Group committed itself to taking an evidence-based approach to the development of policy recommendations. In order to achieve this we commissioned a literature review that examined HE funding, fee regimes and student support systems world-wide. This review included an examination of the most up-to-date research evidence relating to HE funding, fee regimes and student support systems to help in our deliberations. In addition to this we commissioned three substantial new research projects including (i) evidence on the changing graduate labour market; (ii) a study of attitudes towards participation in HE in Wales, and; (iii) a secondary data analysis of recent statistics on patterns of student participation in HE. We also held an extensive consultation exercise with stakeholders and academic researchers from a range of disciplines, and a confidential seminar with key stakeholders. These are discussed in further detail below.

**1.4.2** The Group adopted a collegial approach in its consideration of the available evidence, options and development of policy recommendations. We were given a very difficult task and Group members came from a range of different backgrounds and perspectives. They also therefore brought with them a wide range of expertise and strongly held, and at times conflicting, views. This inevitably led to very frank discussions of all the options being considered. Members however learnt together, and despite differences within the Group there was willingness to compromise in order to reach a common understanding of the issues and a consensus on the recommendations that we are putting forward in this report. Whilst individual Group members have strong views, which have sometimes differed with regard to policies, priorities and how best to achieve objectives, we have come to a common view on the aims and issues set out in this report. Indeed the Group went to great efforts to achieve unanimity and worked in co-operative ways to produce agreed recommendations. Our central goal throughout has been to consider what is best for Welsh HEIs, for Welsh students and all students studying in Wales, and for Wales as a whole. We are in complete



agreement that Wales needs a well-funded HE sector and that this matters, not only for students and academics but for all the people of Wales; that there is an historic shortfall in HE funding that must be overcome, but that there should be no up-front fees whatever system is chosen, that repayment of loans should be income-contingent, and that part time provision is a very important part of the sector in Wales.

### *Commissioned Research Projects*

**1.4.3** In addition to an extensive literature review, which demonstrated that increasingly, internationally, the beneficiaries of HE - society and graduates - are sharing its cost, we commissioned three substantial new research projects to bring together existing findings and generate new empirical evidence that could be used to inform our policy recommendations vis-à-vis the funding of HE in Wales and student support. These will be published in full as appendices to this report. The following section summarises some of the main findings of the commissioned research and discusses the implications for HE funding and student support.

### *Research Reports: Key Findings and Messages*

**1.4.4** Research on the changing labour market for graduates (Brown *et al.*, 2005) reviewed existing evidence, based on survey data, and examined trends in the demand for graduates in Wales and beyond. It also investigated trends in graduate incomes, including differences amongst those with graduate qualifications as well as differences between graduates and non-graduates. The authors noted that a major problem in undertaking this research was the lack of detailed and reliable data on graduate employment in Wales; most large-scale data sets for the UK have relatively small samples at the regional level, which makes it difficult to generalise about regional variations in graduate employment.

**1.4.5** During debates on the *Higher Education Act 2004*, the introduction of variable fees in England, payable after graduation, was frequently justified in terms of the higher lifetime earnings of graduates compared with non-graduates - usually described as the 'graduate premium'. The research we commissioned confirmed that there is evidence of a substantial graduate premium, but it is not nearly as high in Wales as the figures often quoted for England suggest, and actual earnings for many graduates will not match their expectations. The White Paper, *The Future of Higher Education*, reported that graduates earn, on average around 50 per cent more than non-graduates, and a figure of an extra £400,000, over a graduate's lifetime, has been widely quoted. On the other hand, Brown *et al.* quote a new analysis of longitudinal data suggesting that the difference between median graduate lifetime earnings and non-graduate earnings is £166,000, rather than £400,000, and in 2000 median graduate earnings were 36 per cent (not 50 per cent) higher than the median earnings of non-graduates. Their research also found evidence of considerable income differences amongst graduates. Those who gain a relatively small benefit in terms of increased lifetime earnings include some graduates working in the public sector: it is significant that Wales has a higher proportion of graduates employed in the public sector than England. The graduate premium also varies significantly by discipline, HEI, degree classification, ethnic origin and gender.

**1.4.6** On the basis of this evidence, the Group felt strongly that what is needed in Wales, above all, is *flexibility*: not only a flexible system of student support for disadvantaged students (e.g. those from low-income backgrounds) but also a flexible system of graduate

contributions which does not impose heavy burdens on disadvantaged graduates (e.g. those with very low earnings). We support the idea of contributions from graduates, rather than up-front fees, and of income-contingent repayment of loans, but this research underlines the need for an appropriate and sensitive threshold for repayment that reflects the premium that graduates may realistically expect if they study and work in Wales. This research on the graduate labour market informed the Group's discussion of thresholds later in the report. The research also noted the lack of evidence on the likely graduate premium for part time or mature students, although it is obvious that the total lifetime earnings benefit will be lower for mature students than for younger graduates. There was some evidence that those who studied near the family home, and tried to find employment near home after graduation, often had difficulty finding suitable employment; this may pose particular problems for mature students, whether they study full time or part time. The Group concluded that this is an area that requires further investigation; this is reflected in our recommendation on the need for research on the needs and experience of mature students.

**1.4.7** Any system of graduate contributions should take account of the labour market in Wales, so that it does not distort the supply of graduates entering key occupations and professions. For example, if it is thought that fear of debt might discourage graduates from going into low-paid but essential jobs in Wales, a system of debt cancellation could be introduced for specific occupations, to provide financial incentives for graduates, similar to the 'golden hellos' already offered by some private sector employers. Special arrangements already exist for some occupations; for example there are special bursaries or fee exemptions for most professions allied to medicine, and for social work. Part of a graduate's loan could be cancelled as a way of attracting and retaining graduates in the teaching profession. Any new system of fees or graduate contributions that is introduced must be carefully monitored to ensure that graduates are not discouraged from choosing employment in Wales.

**1.4.8** The commissioned research by Fitz, Taylor and Pugsley (2005) was based on survey data gathered from over 1,000 16 and 17 year olds attending post compulsory education in schools and colleges in Wales, along with qualitative interview data, collected in October to December 2004, which vividly convey the 'voices' of many of the young people interviewed. The research explored attitudes to HE with the specific purpose of identifying factors that shaped students' decisions to progress - or not - to HE. This suggested that progression to HE was shaped not so much by a series of planned career, or subject-focused choices but rather, it was seen, especially by students on academic courses, as 'the logical next step'. In the total sample, about 80% stated that they intend to go to HE at some time and just over half (52%) hoped to proceed from their present course straight to university, but there were still wide differences between different parts of Wales: the proportion of students in the survey intending to proceed to HE was much lower in two areas categorised as having low participation, (Blaenau Gwent and Wrexham) than in two areas that have traditionally had high rates of participation (Anglesey and Cardiff). The report notes that considerable steps have been taken to establish a consensus that HE is a route open to the population at large, but to achieve goals of equalising opportunities and widening access, more needs to be done to convince young people from disadvantaged areas to see HE as the next step.

**1.4.9** In terms of perceptions of cost, the great majority of respondents (82%) either 'somewhat agreed' or 'strongly agreed' that going to university was expensive. This appeared to be the predominant view of young people, regardless of background or location, but was



even stronger in areas of low participation. The idea that university is expensive and leads to debt does not, however, appear to affect the likelihood of individual respondents going to HE. Over 70% of respondents 'agreed' or 'strongly agreed' that university students get into a lot of debt, and the great majority (over 80%) stated that they did not want to get into debt. On the other hand, many of those interviewed regarded student loans, like a mortgage, as an investment - a debt but with long term benefits. Those most likely to go to university appeared to accept debt as a part of the university experience, and there was a prevailing view that university costs were a 'worthwhile' debt. Debt aversion did not therefore seem to be an issue among these students (although we discuss debt aversion further, in Section 6). However, these respondents were all individuals who had decided to remain at school or college after compulsory education, and many had already decided to go to university. Given the time constraints within which this research was undertaken the researchers could look only at one particular cohort, of 16/17 year olds. Further research, as suggested in our recommendations, should look at a younger age cohort to capture the views of those who might be unwilling to continue in education after 16.

**1.4.10** The survey also found that approximately 52% of student respondents had term-time paid employment. The majority worked between 10 and 20 hours per week although some worked much more than that. About a third expected term-time employment to be a substantial or major source of income while they were at university. The authors state that 'this is a student generation where the combination of study and paid work is far from unusual'. Since so many 16/17 year olds already combine work and study, and this is now increasingly common in HE also, the Review Group expressed concern about finding ways to ensure that the type of work experience young people have whilst in HE is more geared to their future employability: this is reflected in our recommendations.

**1.4.11** The research highlighted that Wales is unique in the UK, in that well over 30% of Welsh domiciled students are at universities outside Wales, a figure much higher than elsewhere in the UK (as discussed in Section 2). This survey suggests that these trends are likely to continue. Forty two per cent of respondents who reported that they would be going to university at some point said that they would hope to stay in Wales, 39% said they were unsure and 19% said they were definitely not going to stay in Wales.

**1.4.12** The young people surveyed in this study reported a wide variety of sources of information, and the authors note that "our respondents are adept at finding information about universities, courses and costs from the Internet and this is a major source of knowledge about aspects of HE". Several of our recommendations (e.g. those on a rich media information and advice system for potential students, as well as the need for further research on retention and drop out rates and mature aged students' attitudes to debt) stem directly from this piece of commissioned research.

**1.4.13** The commissioned research undertaken by Taylor and Gorard (2005) produced a detailed picture of patterns of participation, including hard evidence of numbers of part time students. The number of students attending HE in Wales has risen steadily since 1995 and there is encouraging evidence of the over-representation of ethnic minority students in Wales, and a growing proportion of female students. The research also showed, however, that in terms of widening access tremendous inequalities still exist, both socio-economic and

geographic, although participation rates are becoming more equal - indeed the greatest increase in participation in HE has been amongst those from disadvantaged areas. In terms of widening participation, Taylor and Gorard suggest that the qualified age participation rate is now approximately 100%, “meaning that nearly all young people in Wales currently qualified to enter HE do so”, but patterns of recruitment vary between HEIs. This is an important finding, and means that if most young qualified 18-year-olds from disadvantaged areas in Wales are already going into HE then we need to look at ways of increasing investment in younger and older people, both to increase the proportion of school leavers gaining the necessary qualifications for HE and to provide a second chance for adult students who did not have this opportunity earlier in their lives. This again is reflected in our recommendations.

**1.4.14** This research points, therefore, to the need for more or better-directed resources earlier in the education system and to the importance of high quality information and advice given to students in schools and colleges in order to encourage more individuals, of whatever background, to gain the qualifications necessary for entry into HE. We want to create a more level playing field so that it is not a person’s place of birth, family background or income that determines decisions about whether to continue in education after 16, what qualifications to aim for, whether to apply for HE and which university to attend.

**1.4.15** The research found no evidence of discrimination in the university admissions process. In fact, the research found that admissions to HE in the sector as a whole in Wales are slightly more representative of the age cohort of the population than applications. The Group took this into account when considering the role of a regulatory body in Wales (discussed in Section 5 of this report). The Review Group believes that widening access and participation remains a central issue for the HE sector in Wales, and for individual HEIs, but concluded that the record of Welsh HEIs in widening access and achieving fairness in admissions strengthens the argument for a ‘light touch’ in monitoring access in Wales (the responsibility of the Office for Fair Access (OFFA) in England), bearing in mind that HEFCW already reviews the access policies of HEIs, as part of its oversight of institutional strategic plans.

**1.4.16** In summary, therefore, our commissioned research projects produced some extremely valuable evidence that has helped the Review Group to shape many of its recommendations. A summary of these projects is provided in Appendix II.

## **1.5 Consultation Exercise**

**1.5.1** We were also greatly helped in our deliberations by a consultation exercise consisting of three main parts: an economic seminar, a letter to stakeholders, and meetings with key groups.

**1.5.2** An economic seminar, hosted by the Welsh Assembly Government’s Economic Research Unit, was held in Cardiff in November 2004. The seminar, which was well attended, concentrated on the Graduate Labour Market. Economists from several UK HEIs presented papers with valuable evidence on demand and supply of highly educated people in the UK as a whole and particularly in Wales, and the graduate premium. A full list of participants and presenters, with the titles of their papers, is given in Appendix III.

**1.5.3** There was extensive discussion at the seminar of the evidence and the implications of key findings, including:

- Returns to graduates continue to be relatively high in the UK and Wales.
- HE remains a good investment relative to other kinds of spending for both individuals and the government.
- There is contradictory evidence on the size of the graduate premium in Wales. Our best judgement of the evidence, taken alongside our own commissioned research project (discussed above), is that graduates, on average, do continue to receive, over a working lifetime, a significant earnings premium compared to non-graduates. However, definitions and measurement of the 'graduate premium' are matters of contention amongst researchers and labour market analysts and the figure is less than sometimes suggested in debate.
- There is no sign so far that the considerable expansion in HE has resulted in a large drop in returns to investment in HE, though there has been some sign of a modest downturn for the most recent graduates.
- The government's aim of widening access to HE requires additional spending on earlier interventions, at the primary and secondary level, which are likely to yield significant benefits in terms of increased numbers of young people qualified for entry to HE.
- Much of the debate about graduate employment is based on outdated assumptions. There is some evidence of 'over-education', in the sense that not all graduates can expect to find employment in traditionally 'graduate jobs', but the notion of a 'graduate job' is changing; the headline measures may exaggerate the problem and there is little evidence that it is becoming significantly more prevalent.
- Taken as a whole, the evidence supports the case for cautious further expansion of HE. Since it is both a social and a private investment, the majority view of the Review Group is that the costs of this expansion should be shared between taxpayers, graduates, students and their families, employers and other stakeholders, since both individuals and the wider society will derive benefits from the investment.

**1.5.4** The Group has been committed to listening to those working in the HE sector or affected by the work of HEIs. The second part of our consultation exercise was therefore to invite written evidence, and in some cases oral evidence, from a considerable number of individual stakeholders and organisations. These included HE Wales (HEW) and all Welsh HEIs, Ffforwm and all Welsh Further Education Institutions (FEIs), the National Union of Students (NUS) and other student bodies, trade unions, local authorities, professional bodies, political parties, organisations concerned with lifelong learning and the administration of student support systems and industry. The respondents are listed in Appendix III. The number and depth of the responses that we received was impressive, demonstrating keen interest in this set of issues. However, not one of the stakeholders who responded was able to identify a workable alternative to the funding options being considered by the Group, which could be implemented by the NAFW under its existing powers.

**1.5.5** The third part of our consultation exercise involved meeting with a range of relevant bodies. Some were private meetings, but more often we asked whether one or more members of the Group could attend a regular meeting of the body concerned; in such cases the Review appeared as an item on the agenda and members used the opportunity to gather experiences, opinions and views on the questions posed in our brief. A list of individuals and organisations visited appears in Appendix IV.

**1.5.6** Members of the Group also attended other events relevant to our deliberations, including a conference on 'Cost-Sharing and Accessibility in Higher Education in Mature Economies' in Portugal, attended by participants from nine countries, including Australia, Canada, USA, UK and five other European countries, and a seminar on 'Tuition Fees in Britain and Germany' organised by the British Embassy in Berlin. All of the meetings attended by Group Members are listed in Appendix IV.

#### *Seminar with Key Stakeholders*

**1.5.7** Finally, in February 2005, we held a confidential consultative seminar with invited key stakeholders. This seminar gave us an important opportunity to explore with stakeholders the options identified by the Group, to identify any alternatives to these options, and to invite comments and suggestions from all participants. The seminar was held under the 'Chatham House rule', whereby participants could be assured that what they said would not be attributed to them outside the meeting. This was to encourage a free-ranging discussion. We were grateful to all participants for their thoughtful contributions to the debate. A list of participants appears in Appendix V.

**1.5.8** We presented the key issues and a range of five options for funding Welsh HEIs, with alternative models of student support, inviting stakeholders' comments and suggestions for alternatives. We received extremely insightful feedback on the options being considered by the Group. Although stakeholders were given every opportunity to test and challenge the options presented and suggest alternatives, just one further funding model was proposed. This sixth model was later elaborated and all six were subsequently presented in our Progress Report<sup>6</sup>. All six options are discussed and evaluated in this report. Although there were some differences of opinion among stakeholders, as to which of the options would best meet the criteria for a feasible and fair system for funding HE in Wales in terms of full time students, there was also a remarkable degree of consensus in relation to the strengths and weaknesses of the options being considered.

**1.5.9** Separate sessions focused on part time students and students studying through the medium of the Welsh language.

#### *Seminar discussion on part time students*

**1.5.10** In relation to part time students, there was a wide-ranging discussion which served to highlight and reinforce a shared awareness of the real challenges and difficulties in this area. A number of proposals had been raised by stakeholders in written submissions, and some of these were discussed on the day. But no ready answers which might fit the sector as a whole emerged as a result of the discussion. The views expressed by stakeholders are taken into account in Section 7 of this report, which discusses part time provision - an extremely important part of the HE sector in Wales - and in our recommendations on fees and student support for part time students.

## *Seminar discussion on Welsh medium teaching provision*

**1.5.11** The stakeholder discussions considered existing Welsh medium provision, noting the target in Reaching Higher that the proportion of students at Welsh HEIs undertaking some element of their course through the medium of Welsh should increase to 7% by 2010 and that some additional funding has been provided to support this provision. Recent Welsh work force skill surveys have identified demand for workers with bilingual skills. The Group therefore recognises the urgency of providing more Welsh medium learning opportunities. Currently, students pursue varying numbers of credits through the medium of Welsh; a minority take virtually all courses through the medium of Welsh (i.e. those in departments of Welsh), but others take only a few such courses. Problems relating to this provision include issues of student access to Welsh medium learning, given the constraints in supply of teachers and resources.

**1.5.12** It was recognised that this is a complex subject not unique to the HE sector but part of a broader objective for Welsh medium provision. Increased student fees could well worsen the situation as Welsh medium courses are not profitable for HEIs. Increased cross border flows could also prejudice the availability of places for students wishing to follow part of their studies through the medium of Welsh. On the other hand, financial incentives through a Bursary Scheme might in some cases encourage Welsh medium study, although such incentives are not always effective. The issue of equity between those taking 100% of their degree through the Welsh medium and those taking a much smaller proportion would need to be addressed. The stakeholders stressed the need for more research into the uptake of Welsh medium provision, especially at school level when decisions are made about language of study, and for enhanced marketing and communications to bolster provision.

## **1.6 Conclusion**

**1.6.1** In the course of our deliberations we have, therefore, met a wide range of organisations and individuals and examined a large number of documents and papers. A considerable number of people and organisations have been involved directly or indirectly in our work. Some striking conclusions emerged from our consultative exercises. First, there is widespread and serious concern about the past under-funding of the HE sector in Wales, coupled with a conviction that this funding gap must be overcome. At the same time there are concerns about the impact of systems of finance on cross border flows, part time students, and fears concerning mounting student debt and the impact of debt aversion on access and participation. We have sought to take all of these views into account when making our recommendations.

**1.6.2** In March 2004, we published a Progress Report which presented our six options for HE funding and student support with regard to full time students, but stated “We are certainly not in a position to make a firm recommendation as yet”. In this report, we focus on the two options, 4 and 5, which we believe represent a distinctively Welsh model, and which command greatest support, not only from the Review Group, but also from the stakeholders we consulted.

**1.6.3** There are some differences of detail between the presentation of the options in our Progress Report and in this Final Report. One serious problem faced by the Group was that the situation was frequently changing while we were considering evidence and options.

The outcome of the Bidar case was decided (discussed below). Stakeholders fed in responses to the options to us. But in particular, new information, figures and statistics became available when we were already far advanced in our analysis and evaluation of options. This included information on tuition fee levels in England, from 2006/7; revised estimates of the extent of under-funding of the Welsh HE sector and calculations of the costs to the Assembly budget of the various options we were considering. In this report, these new figures have been used in place of the estimates we gave in the Progress Report. Since in every case the most recent estimates of costs were *higher* than those provided earlier, we are confident that our conclusions remain valid, since the most recent figures tend to strengthen, rather than weaken, our conclusions and recommendations, and the evidence on which they are based.

**1.6.4** The two options (Options 4 and 5) that we present as the basis for our proposed Welsh funding model for HE share common and essential features, namely charging graduates flexible fees and setting up an HE sector-led National Bursary Scheme. There are, however, certain differences. Option 5 includes a maximum fee set at a lower level for Welsh domiciled students to attend Welsh HEIs. Section 5 of the report discusses these two options in detail, gives our evaluation of the strengths and risks associated with each model, and raises issues of design and implementation. There were some differences within the Group regarding these design and implementation issues, but unanimity that these two options represent the best solution to the problem of developing a Welsh Model for funding HE and student support. They form the core of a set of recommendations which we see as a package designed to ensure that the needs of the HE sector, of students and of Wales are addressed in a way that is fair and flexible and that will promote quality and access. While most of the recommendations are about fees and student support for full time students, in Section 7 we focus on the needs of part time students and make a series of recommendations regarding them.

**1.6.5** This report has been designed to describe the context and the issues, to share our thinking and the evidence and to present our recommendations and our rationale for them in some detail. We have spelled out in some detail aspects of, for example, the HE funding system, as although we are aware many readers will be all too familiar with them, others will not. We hope readers will be able to negotiate their way through the report to focus on those sections of most relevance and interest to them.



## 2. The context: policies and issues

### 2.1 Introduction

**2.1.1** In considering future models of HE funding and student support for Wales, the Group began by identifying the context within which the National Assembly must make its policy decisions. This section examines the international context for higher education in the early twenty-first century before analysing current and recent trends and economic and educational policies in the European Union, the UK and Wales.

### 2.2 International context

**2.2.1** The role of Higher Education Institutions (HEIs) is being transformed by the shift towards a global knowledge-economy. Governments across the globe face major challenges in meeting an increasing demand for a leading-edge, high-quality HE system. The quality of knowledge produced in HEIs, and its accessibility to the wider economy, is regarded as increasingly critical to national competitiveness.

**2.2.2** Across nearly all advanced economies the HE sector has expanded dramatically over the past two decades. The international growth of the sector and the transformation from an 'elite' to a 'mass' system has involved the numbers participating in HE increasing dramatically, world-wide. In most developed countries, HE is becoming available to a broader spectrum of society, including more individuals from backgrounds who have not traditionally participated.

**2.2.3** We are witnessing an increase in trans-national teaching and research in HE and more international mobility among staff and students. Underpinning this has been technological advances in HE, such as e-learning and other electronic learning resources.

**2.2.4** As the sector grows, numbers expand, mobility increases and technology develops, there is greater international competition for staff, students, funding and research money as universities open themselves up to, and have to market themselves within, the global market. As a consequence, more pressure is being placed on national governments to provide additional funds to HEIs in order to build their profile in the global market.

**2.2.5** UK universities still fall somewhat behind many of their main international competitors in terms of public and private funding, although this gap does appear to be narrowing over time (see Section 3). Private investment constitutes a major source of funding, not only in countries such as USA and Japan, but in developing economies such as China. State investment in the HE sector, on its own, is certainly not adequate to meet the needs of a mass education system. HEIs therefore, need additional sources of funding. In particular, there has been a widespread shift towards greater cost sharing for teaching between the taxpayer and the student or graduate (through fees, deferred fees or loans).

**2.2.6** Indeed, all major industrial competitors of the UK, including Australia, Canada, USA and Japan (but with the exception of some European countries), now operate a system whereby graduates contribute to the cost of their degrees. There are different levels of contribution and mechanisms by which this operates. HE has increasingly become a 'shared investment'

between society and the individual. The justification for the shared cost is that while society stands to gain through a higher skilled workforce, technological innovation and transfer, and through social benefits or 'externalities' including wider civic participation, which are 'public goods', graduates will benefit from their investment in HE too.

## **2.3 European Union policy framework**

**2.3.1** The European Union (EU) has emphasised the importance of the role of HEIs in economic and social development, particularly in fostering an innovative, knowledge and information based economy. Many areas of social policy have been drawn into this economic agenda, most notably education, which is seen as a source of both human and social capital.

**2.3.2** These objectives were reflected in the EU's goal, specified in the Lisbon strategy<sup>7</sup> adopted in 2003, 'to make the EU the world's most competitive and dynamic knowledge economy in the world by 2010'. The European Commission's strategy highlighted the central role of universities and university-based research in achieving this goal. The development of a European Research Area is seen as critical to this process. Closely related to it is the creation of the European Higher Education Area through the Bologna Process of converging European HE systems. This seeks to enhance the quality and attractiveness of European HE through policy initiatives including standardisation of the number of credits for bachelors and masters degrees, a pan-European quality assurance system, a European Credit Transfer System and trans-national joint degrees. This is designed to foster employability and mobility with the EU and closer relationships between HEIs, their state and students across national boundaries.

**2.3.3** The role of HEIs in an expanded EU is also having an impact on international relations, particularly issues around citizenship and legal entitlements. This is exemplified in the recent legal case of a French national, Mr Dany Bidar, which may mean that changes will be required to UK student maintenance provision. Mr Bidar came to the UK to live with his grandmother in 1998 at the age of 15. He completed his secondary education in the UK in 2001 and applied for a student loan, prior to commencing a course at University College London. Although he was granted assistance with his tuition fees, the loan was refused because Mr Bidar had not been resident in the UK for four years. He challenged this decision on the basis that it was discriminatory and contrary to his rights as an EU citizen.

**2.3.4** The High Court asked the European Court of Justice (ECJ) whether, following changes to the EC Treaty, notably the introduction of EU citizenship, assistance with living costs for students still remained outside the scope of the EC Treaty and, if not, what criteria should be used to determine whether the eligibility conditions were based on objective considerations.

**2.3.5** The case was heard on 28th September 2004 and the ECJ issued its judgement on 15th March 2005. In essence:

- the Court ruled that assistance, in the form of grants or loans, provided to students lawfully resident in the host Member State to cover their maintenance costs, falls within the scope of the EC Treaty for the purposes of the prohibition of discrimination;



- the Court also ruled that it is unlawful to discriminate against a national of another Member State for student maintenance purposes where that person is lawfully resident and has received a substantial part of his secondary education in the host Member State and thus established a genuine link with the society of that State.

**2.3.6** At this stage, the Review Group can only note that the *Student Support Regulations for Wales 2006* will need to comply with the ECJ's judgement. However, modifications are not likely to be substantial since the ECJ has confirmed the essential principle that a residence requirement is appropriate as a form of eligibility criteria. It was the *additional* requirement that to be eligible for a student loan a person must not only be normally resident in the UK, but also be settled in the UK within the meaning of the *Immigration Act 1971* which the ECJ rejected as discriminatory, and not the basic principle. The judgement therefore:

- does not appear to demand that an element of flexibility be built into the Regulations; and
- on the face of it, the current three-year residence requirement continues to look proportionate and acceptable, although we note that henceforth a sufficient period in secondary education may itself satisfy this requirement.

## 2.4 UK policy context

**2.4.1** The driving force behind the expansion of HE in Britain has been the needs of the UK economy. With the move towards a global knowledge-economy, economic growth is coming to depend increasingly on both the strength of research, knowledge and creative activities within HEIs, and their role in creating a future skilled workforce. HEIs now play a crucial role in promoting the prosperity and competitiveness of developed economies, which are characterised by rapid technological and scientific change. The UK must maintain a competitive position in the global labour market. This can only be achieved through a world-class HE sector which will enable the UK to be a leader in international research, and improve technology, innovation and productivity<sup>8</sup>.

**2.4.2** Results and outcomes of university research are crucial in advancing a global knowledge-economy. A dynamic and well-funded research capacity is vital if HEIs are to maintain their position as front-runners in the knowledge-economy.

**2.4.3** The expansion of student numbers in HE is both a cause and a consequence of the demand for higher skilled labour in the knowledge-economy. The numbers of 18-21 year olds participating in HE in the UK has risen from 6 per cent in the 1960s to around 43 per cent at present. With the move towards a knowledge-intensive labour market, and the emergence of skills gaps in most occupational sectors, the supply of highly skilled and qualified graduates needs to be increased. According to Higher Education Policy Institute (HEPI, 2004)<sup>9</sup> projections, the demand for graduates is likely to continue to grow over the next decade.

**2.4.4** The HE sector contributes to economic policy both in terms of the direct and indirect economic benefits of research, but also through its contribution to productivity growth by fulfilling the demands for a highly skilled workforce. In addition, it contributes to the development of spin-off companies, technology transfer, regeneration and capacity building at the local level through third mission activities.

**2.4.5** HE is not only key in developing economic competitiveness, but also in developing social cohesion, a vibrant culture and active citizenship. It is crucial in the development of a 'learning society'. The UK Government has been setting a target of 50% of school leavers attending university. However, the line taken in Wales has been slightly different. The Welsh Assembly Government's (WAG's) vision of the learning country is one where all individuals are committed towards lifelong learning and have the means for developing their potential to the full: this might be through HE but it might also be through vocational training. Individuals will also need to be engaged in personal and professional development to up-grade continuously and improve their skills and knowledge.

**2.4.6** The recent DfES (2003) White Paper, *The Future of Higher Education*<sup>10</sup>, highlighted the 'wider benefits' of HE on health, welfare, community regeneration and culture. HE can enhance the quality of life both of those who have participated in it and of the communities of which they are a part. HEIs are therefore important in fostering a civic culture, and crucial in the development of an inclusive society.

**2.4.7** Widening access and breaking down barriers to participation in HE, particularly amongst 'non-traditional' groups of students (e.g. mature students and those from lower social class backgrounds) has been seen as an increasingly important mission for HEIs. Access to HE should be open to everyone who can benefit from it. The proportion of students from lower income backgrounds entering HE is still low in comparison to social groups I-III (HEFCE, 2005)<sup>11</sup>. Continuing low levels of participation from these groups would prove both wasteful and unjust. This is further at odds with the aim of creating a lifelong learning culture and society.

## **2.5 Wales Assembly Government policy context**

**2.5.1** Devolution has provided an opportunity to shape Welsh answers to Welsh questions. This is emphasised in the Wales Spatial Plan<sup>12</sup>, discussed further below, which argues:

*"A country the size of Wales has to optimise the use of its public and private resources to create the best opportunities for its citizens in an ever modernising and expanding European Union... The first Wales Spatial Plan ...aims to ensure the Welsh Assembly Government's policies and programmes come together effectively with the workings of local government, business and other partners across Wales, to enable a truly sustainable future - one that works for all the different parts of Wales. It sets a strategic, integrating agenda for the next 20 Years." (p. 3).*

The emphasis, therefore, is on geographical and strategic collaboration and "working together on a shared agenda" (p. 4).

**2.5.2** The WAG preference for collaboration and cooperation provides the underpinning for the strategies outlined in *Making the Connections: Delivering a Better Public Service for Wales*<sup>13</sup>. In the preface to this document, the First Minister firmly set aside competitive strategies, stating that "Such models exclude the empowerment of the public service user in the design and delivery of the system." Our deliberations have been informed by this vision, as we have grappled with the problems of developing a distinctively Welsh answer to the question of how to promote flexibility and fairness in funding HE and supporting students in Wales.

**2.5.3** The *Wales Spatial Plan* prompted us to ask how providers of HE in Wales can work with others to try to deliver on these *broader* strategic plans for the interests of the country as a whole. Our recommendations in this report attempt to identify such opportunities so that the HE sector can deliver benefits more broadly, as well as play its full role in contributing knowledge and skills provided it is adequately funded.

**2.5.4** However, the overall WAG budget continues to be set by the UK government and reliance on financial transfers from Westminster is a significant constraint. We are therefore mindful of and constrained by the fact that the WAG has no tax-raising powers of its own; thus if spending increases in one area of the NafW budget, reductions in expenditure will be required from another.

**2.5.5** The WAG economic policy framework includes several key policy documents and objectives. The WAG's overall strategic agenda is contained in the document *Wales: a Better Country*<sup>14</sup>, which sets out a vision of a fairer, more prosperous, healthier and better educated country. This vision runs parallel with a commitment to social justice and to putting sustainable health and wealth creation at the heart of policy-making. Reference is made to the promotion of a diverse, competitive, high added-value economy, with high quality skills and education. The HE sector in Wales is seen as central to this agenda.

**2.5.6** The WAG's 10-year economic strategy is set out in *A Winning Wales: the National Economic Development Strategy of the Welsh Assembly Government*<sup>15</sup>. Its vision is:

*"To achieve a prosperous Welsh economy that is dynamic, inclusive and sustainable, based on successful, innovative businesses with highly skilled, well-motivated people" (p.2)*

**2.5.7** In setting out this vision for Wales, the strategy recognises the inter-dependence between the economy, lifelong learning, communities, the environment and other policy areas such as health and transport. The strength of the Welsh economy and a healthy, mature civic society are seen to go hand in hand and the strategy is designed to promote the WAG's three key themes of sustainable development, social inclusion and equality of opportunity. Priorities include encouraging innovation and entrepreneurship, making Wales a learning country, promoting and utilising information and communication technology (ICT), creating strong communities and establishing Wales' position in the world. A healthy, well-funded HE sector in Wales is vital to helping Wales achieve this vision.

**2.5.8** The vision of the *Wales Spatial Plan* includes tackling economic and social deprivation, reducing inequalities and promoting prosperity and sustainability. Alongside the WAG's desire to prepare for the future based on the key principles of social justice, equality and sustainability, the document states that (p.16):

*"We need an innovative, high value economy for Wales which utilises and develops the skills and knowledge of our people: an economy which both creates wealth and allows that prosperity to be spread throughout Wales..."*

**2.5.9** It recognises that the key to Wales' success, economic competitiveness and social well-being in an increasingly global economy will be to retain and attract well-qualified and more highly skilled individuals.

**2.5.10** The WAG's economic policy framework commits Wales to the development of a knowledge-economy in which social inclusion, community regeneration and equality are seen as key goals. Under the sponsorship of the WAG's Minister for Economic Development and Transport and Minister for Education and Lifelong Learning, a 'task and finish group' was commissioned to look at the economic development role of HE in Wales. This group reported in the document *Knowledge Economy Nexus: Role of Higher Education in Wales*<sup>16</sup>. In it, a knowledge-driven economy in Wales is linked explicitly to universities' roles in respect of:

- direct wealth contribution, with universities often being important businesses in their own right;
- graduate output, which is the life blood of a knowledge-driven economy;
- knowledge transfer/commercialisation which ensures that university knowledge can be exploited effectively in the market-place, and
- cultural influences linked to excellence in teaching, scholarship and research, through which the self-confidence and 'can-do' attitude of a community can be enhanced.

**2.5.11** HEIs in Wales are therefore seen as having a central role in the development of a successful knowledge-driven economy in Wales. However, we are aware that investing earlier in the education system is also important in achieving this goal.

**2.5.12** The NAFW has a statutory duty to pay 'due regard' to equality of opportunity for all in all that it does. We have been mindful of this and have attempted to find imaginative solutions and creative recommendations, using the powers devolved to the WAG in the *HE Act 2004* to promote equality.

**2.5.13** This is the economic and social policy context within which we have been working. In what follows, and in our recommendations, we have been careful to consider the labour market needs of the Welsh economy, particularly those of the public sector, for example, the NHS and the social care sector, and to contribute to the breaking down of job segregation by, for example, class, race, gender and geography.

## **2.6 WAG HE policy framework**

**2.6.1** The WAG's broad education policy framework is set out in the document *The Learning Country: a Paving Document: a Comprehensive Education and Lifelong Learning Programme to 2010 in Wales*<sup>17</sup>. It emphasises the links between education and other sectors. Its vision involves:

*"A range of measures which aim at nothing less than transforming the life chances of people in Wales for the better. It is designed to enable Wales to vault the barriers to social progress and prosperity through lifelong learning..." (p.61, para.96)*

**2.6.2** The WAG's strategy for the HE sector in Wales is set out in *Reaching Higher: Higher Education and the Learning Country*. In this document HE is seen as central to the WAG's vision for Wales as a learning country and for a Welsh economy that "competes with the strongest in the world and has a thriving and flexible knowledge based economy" (p. v).

A dynamic HE sector in Wales is seen as central to achieving these goals and to shaping a mature democratic, civilised and inclusive society. The need for an adequately funded sector is recognised. Objectives emphasised in *Reaching Higher* include reconfiguration of the HE sector in Wales, including restructuring through mergers or through collaboration between HEIs, widening access, particularly for the most disadvantaged, promoting excellence in teaching and learning, research and bilingual provision. The need for reconfiguration and collaboration was re-emphasised when the Minister launched the second phase of *Reaching Higher* in June 2004, stating she expected “HEIs in Wales to see the merit of building well funded, collaborative arrangements” and that she was “looking to the sector to promote innovative ways of working to enable the sector to take forward other forms of collaboration”. Extra funding has been made available, through HEFCW, to support HEIs in their reconfiguration, collaboration and widening access initiatives.

**2.6.3** ‘Lifelong learning’ is identified as central to the WAG’s strategy for HE in Wales, as set out in both *The Learning Country* and *Reaching Higher* strategy documents. The Assembly’s aim, as stated in *The Learning Country*, is “to implant a genuine momentum to lifelong learning for all our people [and] to unlock everyone’s capacity to acquire the confidence to be adaptable and enterprising” (p.8). The goal is for Wales to have one of the best education and lifelong learning systems in the world, where lifelong learning “provides the skills people need to prosper in the new economy, liberates talent, extends opportunities and empowers communities” (p.8). A well-resourced, accessible, equitable and flexible system of HE in Wales is again central to achieving these goals for Wales.

**2.6.4** Funding for Welsh HEIs for teaching and research is distributed on a formula basis by the HE Funding Council for Wales (HEFCW), on the basis of the WAG strategy for HE, as set out in *Reaching Higher* and these other strategic documents, and subsequently elaborated in an annual Remit Letter from the Minister of Education and Lifelong Learning to the Chair of HEFCW<sup>18</sup>. This sets out terms and conditions that HEFCW must observe in distributing the grant and provides guidance on priority action areas for HEIs. The WAG budget allocation to HEFCW for the 2004/5 financial year was £362 million and for the 2005/6 financial year is £383 million.

**2.6.5** The Group decided that it was important to ensure that our recommendations have a positive impact on the policy objectives and targets of the WAG, as elaborated in the Remit Letter sent by the Minister to HEFCW in February 2004, which specified various targets to be achieved by 2010 in order to realise the WAG goals and vision outlined in *Reaching Higher*. The three targets of most relevance to this report are that by 2010:

- The proportion of all Welsh domiciled full time HE students enrolled at UK HEIs who are studying at HEIs in Wales should rise from 60.1% to 66%;
- The proportion of all undergraduate new entrants to HE courses at UK HEIs and FEIs who are domiciled in the 100 core Welsh Community First areas should rise from 8.9% to 11.4%, and;
- The proportion of students in Welsh HEIs and FEIs undertaking some element of their HE course through the medium of Welsh should rise from 3.4% to 7%.  
(HEFCW Remit Letter 2004-05, February 2004)

**2.6.6** We have described the vision expressed in the WAG policy documents in some detail as they provide the backdrop against which we developed our recommendations. What we read from them is an emphasis on a broad mission for HE, the significance of HE to the economy and to social inclusion, and the need for the HE sector in Wales to be competitive in an international market.

## **2.7 The HE sector in Wales: A description**

**2.7.1** There are currently 12 HEIs in Wales, with a wide range of missions. These are: Cardiff University (which recently merged with the University of Wales College of Medicine); North-East Wales Institute of Higher Education; Royal Welsh College of Music and Drama; Swansea Institute of Higher Education; Trinity College, Carmarthen; University of Glamorgan; University of Wales, Aberystwyth; University of Wales, Bangor; University of Wales Institute, Cardiff; University of Wales, Lampeter; University of Wales, Newport and University of Wales, Swansea. The Open University also operates in Wales and its funding is currently being transferred to HEFCW. The HE sector in Wales is highly heterogeneous and includes the delivery of HE courses in Colleges of Further Education (HE in FE). This provision may be either directly funded or funded via franchise arrangements between FE and HE partners.

**2.7.2** The total number of students studying at HE level in Wales in the academic year 2002/3 was 119,535, including both full time and part time students. Of these, 49% of all first year students studying at Welsh HEIs were part time students, the highest figure in the UK<sup>19</sup>. Indeed, since 1998/99 the percentage of first year students studying part time in Welsh HEIs has increased by over 10 percentage points. In 2002/3, 56% of all first year HE students studying in Welsh HEIs were female compared to 58% in the UK. The percentage of first year students studying in Welsh HEIs from overseas was slightly below the UK average - 11% in Wales, compared with 15% in the UK.

**2.7.3** HE Access Indicators 2002/3 (NAfW Statistical Bulletin 81/2004) show that 30% of young (18-20) full time first-degree entrants to Welsh HEIs were from low socio-economic backgrounds<sup>20</sup>. The comparable UK figure was 28%.

**Table 2.1****Percentage of young full time first degree entrants from lower socio-economic backgrounds**

Country of Institution	2002/3
UK	28.4
England	27.9
Scotland	28
Wales	29.8
N. Ireland	41.3

Source: HESA Performance Indicators in Higher Education in the UK, 2002/03

Note: In this table 'lower socio-economic background' is defined in terms of the National Statistics Socio-Economic Classification 4-7

**2.7.4** Sixteen per cent of young full time first-degree entrants, and 18% of mature full time first-degree entrants at Welsh HEIs, came from *low participation neighbourhoods*. Welsh HEIs had the highest rate of participation for mature entrants, and the Welsh rate for young entrants was higher than in England or Northern Ireland and lower only than that of Scotland.

**Table 2.2****Percentage of full time first degree entrants from low-participation neighbourhoods**

Country of Institution	Young					Mature				
	1998/99	1999/00	2000/1	2001/2	2002/3	1998/99	1999/00	2000/1	2001/2	2002/3
UK	12.3	12.4	12.5	13.1	13.3	13.6	13.6	14.0	14.1	13.8
England	11.6	11.7	11.8	12.4	12.5	13.4	13.4	13.9	14.1	13.8
Scotland	16.9	17.6	17.8	18.3	18.6	13.4	13.4	13.6	13.7	11.4
Wales	15.4	14.6	15.0	15.0	16.0	16.8	16.8	15.5	15.3	18.3
N. Ireland	9.4	9.1	9.2	9.3	10.1	13.1	13.1	13.1	11.9	11.4

Source: HESA Performance Indicators in Higher Education in the UK

**2.7.5** Four per cent of full time first-degree students (the highest rate in the UK) and 1% of part time undergraduate students in Welsh HEIs were in receipt of a Disabled Students' Allowance (DSA).



**Table 2.3****Percentage of students in receipt of Disabled Students' Allowance\***

Country of Institution	Full time first degree			Part time undergraduate		
	2000/1	2001/2	2002/3	2000/1	2001/2	2002/3
UK (excluding OU)	1.5	2.1	2.6	0.4	0.7	0.9
Open University	.	.	.	4.6	1.8	1.8
England	1.6	2.1	2.6	0.4	0.8	0.9
Scotland	1.1	1.8	2.2	0.3	0.4	0.7
Wales	2.0	2.9	4.0	0.5	0.7	0.9
N. Ireland	0.6	1.2	1.7	0.1	0.7	1.0

\*This is based on all undergraduates, not just entrants

Source: HESA Performance Indicators in Higher Education in the UK

### Assembly Learning Grants (ALG)

**2.7.6** The Welsh Assembly Government provided us with data on ALGs. In 2003/4, nearly 22,800 students applied for an ALG, an increase of 13 per cent compared with the first year of the scheme (2002/3). Full time students accounted for 94 per cent of all applications; higher education students accounted for 72 per cent of all applications. Around 20,600 of applications were successful (90 per cent of applications). The ALG 'take-up rate' for further education students was greater than for higher education students. In 2002/3, take up was estimated to be greatest in the rural areas with 25 per cent of those eligible applying for an ALG. The take up rate in the valleys was 23 per cent and in urban areas 22 per cent. The majority of successful applicants (59 per cent) were female. A greater proportion of successful applicants (48 per cent) fell within the 22 or over age group than any other age group. The majority of those benefiting from an ALG received the full award. The majority of students who were awarded an ALG were studying in Wales - for higher education students 69 per cent were studying at institutions in Wales and 30 per cent at institutions in England.

### Higher Education programmes delivered in Colleges of Further Education

**2.7.7** There are 21 Colleges of Further Education in Wales which deliver HE courses. Eight of the Colleges receive funding directly from HEFCW, the rest of the provision is funded via franchise arrangements with HEI partners.

**2.7.8** In 2004/5 approximately 7,500 students accessed HE courses at a Further Education Institution (FEI). The majority are mature students who are committed to studying and working locally for a variety of reasons such as family commitments. Many of these are part time students. Much of the provision is vocational, including Foundation Degrees, and is responsive to the needs of the local economy.

**2.7.9** FEIs have an important role to play in widening access to HE, and in responding to the need for higher-level vocational skills as identified in the *Skills and Employment Action Plan for Wales*<sup>21</sup>. Graduates from FE Colleges tend to seek work locally and contribute to the local labour market and local communities. A breakdown of HE delivered in FE is given in Table. 2.4.

**Table 2.4**  
**Number of HE in FE enrolments 2003/4**

	Fulltime/Sandwich		Part time	
	Undergraduate	Postgraduate	Undergraduate	Postgraduate
Directly Funded	526	0	593	0
Franchised	1,318	0	4,980	118
<b>Total</b>	<b>1,844</b>	<b>0</b>	<b>5,573</b>	<b>118</b>

Source: HEFCW, End of Year Monitoring Survey 2003/04<sup>22</sup>

Note: Includes HEFCW fundable students only

## 2.8 The 2006/7 cohort

**2.8.2** Under the terms of the *Teaching and Higher Education Act 1998*, in the academic year 2004/5 HEIs in Wales, as in England, charged a fixed fee of £1,150 a year for all full time undergraduate students from EU countries. These tuition fees were “up-front” fees i.e. students must pay the fee while they were enrolled on their degree course, but payment was means-tested, so that students from low income families were either exempt or paid reduced fees, depending on their family income. In 2002/3, in England and Wales 43% of students paid no fees, 15% paid partial fees and 42% paid full fees. In Wales alone, the equivalent figures were 48%, 17% and 35%, which shows that in Welsh HEIs, the proportion of students from low income families was rather higher than in England. A similar fee, £1,175 is being charged for the academic year 2005/6.

**2.8.3** The HE Act 2004 introduced a fundamental change. From 2006/7, English HEIs can charge higher variable fees (generally described as ‘top-up’ fees) of up to £3,000 a year, (again, for full time undergraduate students), provided they have Access Plans, with details of bursaries and other measures to promote access, which have been approved by the Office for Fair Access (OFFA). As we noted above, in England the vast majority of HEIs will charge the maximum fee level of £3,000 in 2006/7. The WAG has made a commitment that variable fees will not be introduced during this Assembly’s lifetime; this means that the cohort of students entering HEIs in Wales in 2006/7 will pay a fixed fee of about £1,200 in their first year: arrangements for subsequent years have yet to be announced. Therefore, the fixed fee for students at Welsh HEIs for that year will be about £1,800 lower than the variable fee that will be charged by the overwhelming majority of institutions in England. The WAG therefore made a commitment to compensate Welsh HEIs for the loss of fee income in 2006/7; this resulted in negotiations on the provision of a Supplementary Income Stream for Welsh HEIs (discussed further below).

**2.8.4** While the WAG commitment on fees in 2006/7 stated that variable fees would not be introduced in Welsh HEIs in 2006/7, no decision has yet been taken about what protection should be given to the 2006/7 cohort in subsequent years. HEI prospectuses for 2006/7, which are already available, state clearly that although the level of fees is fixed for 2006/7, no decision has yet been taken on the level of fees in subsequent years. The recommendations of the Review Group relate to the cohorts entering HEIs in Wales in 2007/8 and thereafter. Our terms of reference require the Review Group to examine the likely impact in Wales of the introduction of variable fees in England from academic year 2006/7 onward, but do not refer to the issue of whether the cohort entering Welsh HEIs in 2006/7 should continue to pay fixed fees throughout their degree course, or whether, from 2007/8, they should pay the same fees as other students. Nevertheless, the Minister invited the Group to comment on this question, if we wished.

**2.8.5** The Group was divided on the issue of whether fee protection should be guaranteed for the whole of their course for the cohort of students entering HEIs in Wales in 2006/7. Students in Welsh HEIs will be paying £1,800 less in 2006/7 than the vast majority of students in English HEIs, including those of Welsh domicile. If fixed fees were to be maintained throughout the three or four years of a degree course, this particular cohort of students would save a notional (because all students will be able to defer their fees) £5,400 for a three-year course and £7,200 for a four-year course. This could have serious implications for cross-border flows. It would also have significant financial implications for the WAG budget. For these reasons, some members of the Group took the view that protection should be given only for the first year of a course, and students should be expected to pay the same fees as others in 2007/8 and thereafter. Other members had concerns about the fairness and equity of such a policy and whether it might cause students in Wales to “lose faith in the student support system”. There was concern that either policy might set an unwelcome precedent in Wales.

**2.8.6** There are pros and cons on both sides of the argument and the Group was sharply divided on the issue. Members were unanimous, however on the need to remove the uncertainty relating to this cohort as a matter of urgency. While this persists, many students, particularly those intending to take a ‘Gap Year’ in 2006/7, mature students and those from non-traditional backgrounds, may be discouraged from entering HE because of uncertainty about costs. We are also convinced that it is important, for the sake of clarity, to ensure that from 2007/8 all students in Wales will be entitled to the same level of student support. We discuss this further in our recommendations on student support in Section 6.

**2.8.7** The WAG is committed to ensuring that Welsh HEIs are not disadvantaged, relative to those in England, by its decision not to charge variable fees in Wales in 2006/7. The commitment to compensate HEIs, by providing a Supplementary Income Stream (SIS), will result in a significant cost to the Assembly Budget. Estimates of the SIS depend on a number of assumptions, including the level of fees that will be charged in English HEIs. Data published by OFFA in March 2005 suggest that over 90% will charge £3,000; on this basis, the Group estimates that a sum of £37 million will be needed to compensate for the loss of fee income in 2006/7. Thereafter, the size of the SIS will depend on decisions taken about fee protection for the 2006/7 cohort and the new fee regime to be introduced from 2007/8. In considering and evaluating options for future funding of HE in Wales, the Group took into account the

effects of the SIS on the Assembly Budget, using the most recent estimates of the SIS needed to compensate for the loss of income from the 2006/7 cohort, and modelling the SIS needed under alternative funding options from 2007/8. These estimates are discussed later in the report<sup>23</sup>.

## 2.9 Cross border flows

**2.9.1** There were 121,465 students studying at HE level in Wales in 2003/4 including both full time and part time students. Of UK domiciled first year students studying at Welsh HEIs, 48% were part time students. Since 1998/9, the percentage of first year students studying part time in Welsh HEIs has increased by over 10 percentage points. In 2003/4, 56% of all first year HE students studying in Welsh HEIs were female compared to 59% in the UK. The percentage of first year students studying in Welsh HEIs from overseas was slightly below the UK average - 11% compared with 15% in the UK.

**2.9.2** The flow of students between Wales and other countries of the UK is a particularly important issue for the HE sector in Wales. Compared to other UK countries, far fewer Welsh domiciled students are studying in HEIs in their own country. Indeed, as Table 2.5 shows, Wales is a “net importer” of students - in 2003/4 over 18,500 Welsh-domiciled students studied in English HEIs, but nearly 26,000 students from the rest of the UK were studying in Welsh HEIs. This means that 37% of Welsh domiciled full time undergraduate students study in England and 45% of UK domiciled students at Welsh HEIs are from England.

**Table 2.5**

### Cross-Border Flows of Full time Undergraduate HE Students by Country, 2003/4

Region of domicile	Enrolments	Welsh HEIs		English HEIs		Scottish HEIs		Northern Irish HEIs	
	Total Number	%	Number	%	Number	%	Number	%	Number
Wales	50,130	62	31,025	37	18,710	1	385	-	10
England	827,865	3	25,490	95	788,140	2	14,030	-	205
Scotland	99,965	-	200	6	5,885	94	93,830	-	45
N. Ireland	38,705	1	245	16	6,130	12	4,760	71	27,575

Source: HESA Student Record 2003/04

**2.9.3** In terms of the destinations of graduates, on the other hand, Wales is a “net exporter” of graduates; both Welsh domiciled and other Welsh HEI graduates are more likely to leave Wales after graduation than is the case in other UK countries. It is important that we retain graduate talent in Wales and do not suffer from a ‘brain drain’. Opportunities for Welsh domiciles to study in Wales need to be promoted, along with incentives to remain in Wales when they enter the labour market. It is important to utilise the skills and assets of Welsh graduates so that they can add to the knowledge-economy that Wales aims to develop.

**2.9.4** Estimating the impact of differential fees on cross-border flows is a complex and difficult issue, and we have been told that a full scientific analysis would take at least a year to complete. Hence, we offer instead extremely rough illustrations, based on alternative assumptions, of the effect on student demand of fee differentials between Wales and England and Northern Ireland, where fees of up to £3,000 per annum will be charged from 2006/7. This could increase demand from students for places in Wales from both countries, and also from the EU. The numbers applying to the UK from the EU, particularly from the countries who joined in 2004, have already increased substantially. A report in *The Times* (10 March 2005) suggested that applications to UK universities from the EU have increased this year by over 24% compared to last year.

**2.9.5** We now know that in 2006/7 the majority of HEIs in England will charge the maximum £3,000 a year fee for degree courses, with some eight institutions choosing to charge marginally lower fees. In Wales, the fee will be about £1,200; if this fee differential were to be maintained for all three years of a degree course, a degree from a Welsh HEI would cost £5,400 less than one from England or Northern Ireland. If students take decisions on which university to apply to partly or mainly on the basis of tuition fee levels, then the fee discount for a three-year degree course (assuming the same fee level for all three years) is 60%.

**2.9.6** With a fall in price of 60% for a substitute good, how much will demand increase? It is not unreasonable to postulate an increase in demand for places in Welsh HEIs of at least 30%, just half the difference in price. In 2002/3 there were about 0.75 million full time undergraduates of English domicile in English HEIs, reflecting admissions over the previous few years. The number of applications is about four times that value (i.e. about 3 million), since students on average apply to about four HEIs. A 30% increase in demand from this pool of students now wishing to come to Wales would mean that even if only 2.5% were accepted and took up their places, since the total supply of places will not increase, this could mean, after three or four years some 23,000 *additional* English students in Welsh HEIs - leaving room for only about 7,000 Welsh students, 20% of the current figure. Increased demand from Northern Ireland and from other EU countries could further reduce the places for Welsh students.

**2.9.7** The worst case scenario, which is admittedly unlikely but illustrates the issue, is that every Welsh domiciled student would be crowded out of Welsh HEIs, meaning that the WAG would be effectively subsidising students from England, Northern Ireland and the EU to study in Wales, while Welsh domiciles would have to study in England or not enter HE at all. This analysis is, we appreciate, very crude and is in no sense a prediction of what will actually happen. More accurate models can be constructed, as more information becomes available on the actual pattern of applications, but these illustrative calculations demonstrate starkly the potential risks associated with maintaining a 60% fee differential between Wales and England.

**2.9.8** The Group was also concerned that increased cross border flows could prejudice the availability of places for students wishing to follow part of their studies through the medium of Welsh, and indeed of students studying in Departments of Welsh where 100% of their courses are studied through the medium of Welsh. The existence of the latter departments is, of course, essential as a 'backbone' to other Departments where students follow some modules through the medium of Welsh.

## 2.10 The NAFW motion on variable fees and the ‘no fees’ option

**2.10.1** In exploring options, we were fully aware and mindful of the fact that on 2nd November 2004, the NAFW passed a motion to delegate the relevant functions of the Higher Education Act 2004 to the First Minister. The motion passed by the Assembly was:

*“The Assembly believes that variable fees are, in principle, wrong and acting under section 62(1)(b) of the Government of Wales Act 1998, resolves to delegate the functions of the National Assembly contained in and under the Higher Education Act 2004 to the Assembly First Minister, save those which by law cannot be so delegated”.*  
(NAFW Record, Tuesday, 2 November 2004, p. 54).

**2.10.2** Since the Assembly had passed a motion declaring that it believes that variable fees are, in principle, wrong, the Group considered carefully whether it was appropriate for us to continue to examine the option of variable fees for Wales. In view of the fact that our terms of reference specifically required us to consider the effects of introducing variable fees in Wales, as well as the effects of *not* introducing variable fees, we concluded that the Group had an obligation to proceed in examining, evaluating and debating the options of both fixed and variable fees for HE in Wales, in a context in which we had rejected the abolition of fees on grounds of feasibility.

**2.10.3** This was the context in which the Review Group considered the radical option of total abolition of tuition fees in Wales. Although this was not explicitly part of our terms of reference, we decided that the advantages and disadvantages of the ‘no fees’ option must be carefully examined, as a point of reference, before we explored other options. The option of total abolition of fees in Wales was very attractive to some members of the Group, in principle, on the grounds that education up to graduate level is a public good, and should therefore be paid for from general taxation; others rejected it as both unrealistic and undesirable, on grounds that it was inequitable for taxpayers to bear all the costs of HE, since graduates derive substantial private benefits. Faced with such strong differences of opinion, the Group decided to concentrate on the feasibility of the option, rather than ideological arguments for and against it. On the basis of a financial model of the effects of abolition of fees on the Assembly Budget, Group members were agreed that total abolition of tuition fees was not a realistic option, in the existing context in Wales, for the following reasons:

- If HE were free in Wales, but variable fees of up to £3,000 a year were charged in England, there would be significant implications for cross border flows, with the risk of a huge influx of non-Welsh domiciled students into Wales (see above). This would be damaging to the WAG objective of increasing the proportion of Welsh domiciled students in Welsh HEIs, and could have the contrary effect of forcing Welsh students to go elsewhere.
- An increasing share of the WAG budget would be allocated to non-Welsh-domiciled students studying in Wales and to subsidising Welsh-domiciled students going elsewhere in the UK.



- Access and participation from the most disadvantaged areas of Wales would be affected, as there would be substantially less money for Welsh HEIs to provide bursaries targeted towards increasing access and participation of disadvantaged or non-traditional students.
- Abolition of tuition fees in Wales from 2007/8 would take a disproportionate share of the WAG budget. The Group estimated that the minimum cost to the WAG budget of abolishing tuition fees would be over £90million in 2007/8 rising to nearly £160million per annum by 2009/10.
- Since the Assembly does not have tax-raising powers, such a sum would have to be found from within the existing WAG budget. The Review Group was united in the view that the opportunity cost of £90 to £160million per annum - in terms of the effects on other areas of WAG expenditure - was too high to be feasible. Allocating such a sum to HE from the existing WAG budget would damage other levels of education as well as health, transport, agriculture and other sectors important for the future welfare and prosperity of Wales. But if the cost were not met, it would damage the quality, reputation and sustainability of the HE sector in Wales.

**2.10.4** Having come to this view on the no fees option, we concentrated on examining and comparing the six options presented in our Progress Report.

## 2.11 Conclusion

**2.11.1** The Review Group believes strongly that a realistic and feasible model for funding Welsh HEIs must be developed, since adequate funding for the sector is vital if HE in Wales is to fulfil the aims and goals set out by WAG. A funding regime that places Welsh HEIs at a substantial disadvantage within the wider UK and international HE context would have disastrous effects. A poorly resourced HE sector in Wales, particularly if the overall financial position of Welsh HEIs were to decline relative to other UK institutions, would result in a loss of teaching and research staff from Wales. Such a scenario could itself have further impacts upon the financing of Welsh HEIs: the number of students choosing to study in Wales would almost certainly decline and it would reduce research capacity, so that income from research grants and related funding would also decline. This would represent a loss to everyone in Wales, not just to those who study or work in HE. Our economy, our levels of skills and earnings, and our wider culture would be impoverished.



## 3. Funding HE in Wales: Processes, patterns and problems

### 3.1 Processes of funding HEIs in Wales

**3.1.1** There are three *main* sources of funding for HEIs:

- Public funding for teaching and research, provided through HEFCW grants
- Research grant income, distributed on a competitive basis, by the Research Councils (this is also public funding)
- Fee income (including fees for overseas students)

**3.1.2** The majority of funds for Welsh HEIs come from the public purse. Before outlining the main sources of income for the HE sector in Wales, it is important to explain, very briefly, how the WAG itself receives funding. The Assembly is funded by the UK Government, using general taxation paid to the Treasury; the Assembly receives these resources in the form of an annual grant from the Secretary of State for Wales, which reflects negotiations between the Treasury and the Secretary of State. This is in line with the provisions of the *Government of Wales Act 1998*. The budget is set for three years, and is adjusted every second year, when the UK Government sets its forward expenditure plans through Whitehall Spending Reviews. Most of these adjustments are made according to the 'Barnett Formula'<sup>24</sup> and the Assembly is then able to allocate almost all of its resources according to its own spending priorities. Some funding is provided directly by the UK Government to spend on defined annually managed programmes, such as Educational Maintenance Allowances (EMAs), and extra resources for matching European Structural Funds. It is important to note that the Barnett Formula is used to adjust the budget; it does not calculate the total available to the Assembly each year.

**3.1.3** All WAG decisions about how much should be allocated to HE must therefore be made within a context in which the overall budget has already been determined.

**3.1.4** The largest single component of funding for HEIs is the grant received from HEFCW, which distributes, on a formula basis, funds allocated by the WAG in accordance with the Assembly's policies and priorities. HEFCW funding is channelled into four main streams: teaching, research, postgraduate training and capital. The HEFCW grant to HEIs consists of a core grant for teaching, which reflects agreed student numbers, and for research, which reflects their performance in the Research Assessment Exercise (RAE).

**3.1.5** Research grants are another source of income for HEIs that make successful applications to Research Councils for specific research projects. These are subject to intense competition, and the proportion of income of Welsh HEIs from Research Council grants varies considerably. Quality is therefore critical to income for both research and teaching. Fee income from students, including overseas students, is a third source of income.

## 3.2 Patterns of funding among HEIs in Wales

**3.2.1** The HE sector in Wales is highly heterogeneous, and the relative proportions of income derived from these sources varies between HEIs, as shown in Table 3.1 below, which summarises sources of income in 2002/3. The proportion of income from HEFCW grants varied from 71% to 40% in 2002/3, while the proportion from research grants varied between 23% and less than 1%.

**3.2.2** The UK government's policy is that research funding, both from Funding Council allocations and Research Council grants, should be allocated selectively and concentrated mainly in the strongest research institutions. Some HEIs in Wales, especially those whose mission emphasises teaching and promoting access and participation, will be adversely affected by this policy, and their research income is likely to be reduced.

**Table 3.1**

<b>HEIs Income by source 2002-03 £000</b>													
	HEFCW	Grants %	Total Fees etc %		of which, Home fees f/t undergrad	Research	grants %	Other	%	Endowment/	Interest %	%Change in	
												Total Income	finance if £3,000 fee charged
Aberystwyth	30,677	43.4	12,042	17.0	6,448	10,103	14.3	16,637	23.6	1,169	1.7	70,628	15.7
Bangor	32,886	41.0	18,130	22.6	10,705	10,243	12.8	18,427	23.0	504	0.6	80,190	23.0
Cardiff	76,833	41.1	40,445	21.6	15,379	42,855	22.9	23,846	24.4	3,014	1.6	186,993	14.1
Carmarthen	5,841	59.1	1,580	16.0	1,339	18	0.2	2,409	24.4	32	0.3	9,881	23.3
Glamorgan	39,115	52.5	19,083	25.6	13,372	5,191	7.0	9,944	20.2	1,186	1.6	74,519	30.9
Lampeter	5,739	54.5	2,187	20.8	848	306	2.9	2,124	20.2	181	1.7	10,537	13.8
Newi	14,524	65.1	5,092	18.3	4,032	210	0.9	2,258	10.1	240	1.1	22,324	31.1
Newport	18,688	61.7	5,539	18.3	2,698	142	0.5	5,580	18.4	352	1.2	30,301	15.3
Swansea	38,786	40.0	21,410	22.1	11,876	12,407	12.8	23,674	24.4	788	0.8	97,065	21.0
Swansea Inst	13,322	67.6	4,362	22.1	7,555	77	0.4	1,639	8.3	300	1.5	19,700	30.7
UWIC	24,453	48.6	11,617	23.1	7,555	750	1.5	13,274	26.4	237	0.5	50,331	25.8
RWCMD	4,979	71.4	1,306	18.7	570	0	0.0	120,472	9.5	25	0.4	6,970	14.1
Total	305,843		142,793		78,338	82,302		120,472		8,028		659,439	

Source: Compiled from Annual Reports of HEIs, 2002-03 and HESA Finance Statistics, 2002-03

**3.2.3** There are also considerable variations in the proportion derived from overseas student fees, as shown in Table 3.2.

**Table 3.2**

**Fees from Overseas Students as % of Total Income**

	<b>2002</b>	<b>2003</b>
Cardiff	32	39
Lampeter	15	31
Swansea	18	24
UWIC	17	21
Aberystwyth	15	20
Newport	12	15
RWCMD	11	13
Glamorgan	11	12
Bangor	8	10
Swansea Institute	5	7
Carmarthen	6	6
NEWI	3	4

Source: Compiled from Annual Report of HEIs

**3.2.4** These Tables serve to show the heterogeneity in the role of different sources of funding for the HEIs in Wales. Changes in methods of funding that might benefit some may well have deleterious effects on others. Excellence drives up income in both teaching and research and is the key to ensuring a more secure funding base for all HEIs.

### **3.3 Problem: The funding shortfalls**

**3.3.1** The UK government recognised in the White Paper *The Future of Higher Education*, that teaching and research in HE have been seriously under-funded for some time. The White Paper accepted the need to “reverse years of under-investment”. Student numbers have risen much faster than public spending on HE, leading to a sharp decline in the unit of resource, and international comparisons show that “many of our economic competitors invest more in higher education” (DfES 2003, p. 4-5). Indeed, there is general agreement that the two main activities of universities - teaching and research - both run at a loss.

**3.3.2** Calculations of the historic funding shortfall due to past under-investment are inevitably complex and contested, but independent assessments of the state of HE infrastructure, both in the UK as a whole and in Wales, and our own stakeholder consultations consistently reveal substantial under funding. An estimate of the shortfall for the HE sector in Wales, made for HEW’s 2004 Comprehensive Spending Review submission, suggested that to overcome the existing funding gap in Wales would require an additional

£20m recurrent funding per annum and £30m per annum capital expenditure - a combined figure of £50 million a year over the next few years. We quoted these figures in our Progress Report.

**3.3.3** The figures do not include a second funding shortfall that will arise in 2006/7, when Welsh HEIs will charge lower tuition fees than in England. The Supplementary Income Stream (SIS) that will be provided by WAG, which was described above, is intended to cover the shortfall that will result from the decision to retain fixed fees in 2006/7. But there will still be a substantial gap between the income of Welsh HEIs and the amount they need to provide high quality teaching and research, widen access and maintain their competitive position. We tried to quantify that gap.

**3.3.4** However, new information has recently become available, which suggests that the figure of £50 million, quoted in our Progress Report, is a serious under-estimate. The HEW figure of £50 million a year did not take account of a significant number of unquantified items including increased recurrent funding for teaching infrastructure, pay modernisation, knowledge transfer and community links and increased capital investment in the research infrastructure. It did not include any estimate of the capital cost of meeting new requirements on access for the disabled, which a recent survey suggests will be £10 million a year in Welsh HEIs. Using available evidence, some of which is UK-wide, it has been possible to produce a more comprehensive statement of the Welsh funding gap.

**3.3.5** If all these factors are taken into account, including capital to improve teaching and research infrastructure and to meet requirements on disability, recurrent expenditure for pay modernisation, knowledge transfer and community links, as well as maintaining core funding for teaching and learning and research, one recent estimate is that an annual figure of £110 million will be required over the next few years, rather than £50 million. This figure also includes provision for some growth in full time student numbers by the end of the decade. Most of the growth in undergraduate student numbers in Wales over the last three years has been in part time numbers. Yet participation rates by Welsh domiciled students are below those in the other countries of the United Kingdom and the NAFW has set targets for growth in tertiary participation by the Welsh population. Nevertheless, apart from specific funding for widening participation initiatives, there has been no funding to support growth in student numbers in Welsh HEIs. We have, therefore, included the need for funding for an additional 7,000 full time undergraduates based on a projected increase of 10,000 undergraduates by the end of the decade.

## **3.4 International patterns of investment in HE**

**3.4.1** International comparisons of spending on HE are not straightforward, particularly in the case of the four countries in the UK. However, OECD statistics for 2003 indicate that the UK is towards the bottom of the league with public spending on higher education amounting to 0.7% of Gross Domestic Product (GDP). Since spending on HE per head is similar to that in the UK and since GDP per head in Wales is some 80% of GDP per head in the UK, it seems likely that Wales spends just over 0.9% of Welsh GDP on higher education. This compares with other smaller OECD countries as follows:

**Table 3.3****Higher Education Spending as a % of GDP**

	%
Wales	0.9
Denmark	1.5
Sweden	1.5
Ireland	1.2
Portugal	1.0
Greece	0.9
Hungary	0.9
Czech Republic	0.8

Source: OECD (2003) Education at a Glance, Paris: OECD

**3.4.2** By comparison public expenditure in France and Germany on higher education is around 1% of GDP and in the USA public expenditure is around 0.9% of GDP. Apart from Canada, all the 9 OECD countries spending more than 1% of GDP on higher education are smaller countries - indicating the case for higher proportionate spending on higher education for smaller countries.

### **3.5 The problem of meeting the funding shortfalls**

**3.5.1** In various consultations, stakeholders were asked to identify other major sources of funding to meet the shortfall within the framework of existing powers of NAFW, but none was able to do so. The Review Group has considered a range of potential options, none of which would be adequate to overcome the long-term funding gap faced by Welsh HEIs.

**3.5.2** Research is a significant source of funding for many HEIs. The Westminster Government is seeking to ensure that the full economic costs of research will, in future, be covered by Research Council grants. However, that will benefit only those HEIs that are successful in highly competitive bidding for research funding. This additional resource is likely to be concentrated in universities that are leaders in research, and which perform well in the RAE. Welsh HEIs may need to take a more active role in strengthening their research capacity and in generating funding from research contracts and Research Council grants. Evidence suggests, however, that with the exception of Cardiff University, Welsh HEIs are less successful than many other UK institutions in generating external research funding. In any case, research funding cannot substitute for core funds. There are many costly overheads involved in research projects, including the costs of research staff and other facilities. Moreover, increasing research income may not be feasible, or even an appropriate priority, for some institutions whose mission is targeted on teaching and access rather than research.

**3.5.3** Welsh HEIs should be encouraged to take a more active role in promoting and increasing individual and corporate giving through well-administered alumni and development funds. American universities are by far the most successful, internationally, in generating extra revenue through alumni, corporate and philanthropic donations and endowments; donations are also encouraged through substantial tax incentives. In the UK, the evidence shows that alumni and development funds tend to be concentrated in elite institutions, which are able to draw on wealthy benefactors. In Wales, there are considerable differences between institutions in terms of extra revenue generated through alumni and development appeals. Historically, the University of Wales, Aberystwyth, has been the most successful in raising endowment contributions. Further development of alumni funds may offer a limited alternative funding stream for some HEIs, but this requires a coherent strategy for fund raising. The recommendations from the recent Endowment Task Force Report<sup>25</sup> included the establishment of transparent accounting for donations and benchmarking data on endowment activities. HEFCE is providing pump-priming money for English HEIs to establish build capacity in developing alumni functions.

**3.5.4** Welsh HEIs need to do all they can to take advantage of opportunities for generating additional income from other sources, too. Many HEIs already provide training and continuing professional development. More university-business partnerships need to be developed to establish a higher level of corporate involvement in the sector, finding ways for businesses to invest in university services and knowledge. HEFCE's recent *Higher Education-Business and Community Interaction Survey 2002-03*<sup>26</sup> has shown that the level and quality of interaction between universities and business is increasing over time. Commercial organisations spent up to £130 million on education and continuing professional development supplied by the HE sector. There is scope more generally for the university-business relationship to be strengthened in Wales, in order to attract additional funds to the sector. However, corporate funding still offers a limited funding stream for individual HEIs. Moreover, it may inevitably be based on the RAE profile of individual institutions and further limited to specific departments which might be best able to utilise corporate investment.

**3.5.5** There is also scope for Welsh HEIs to take advantage of new technological developments in learning, in particular distance and e-learning and global knowledge networks. This may offer further funding potential through the marketing and selling of distance courses worldwide, and through universities developing international links. This would also be helpful in terms of Welsh HEIs attracting overseas students. Welsh HEIs should aim to become centres of knowledge provision and transfer which go well beyond face-to-face teaching. Universities could also do more to develop links with the communities in which they are located, for instance in attracting local businesses to tap into university resources and knowledge.

**3.5.6** Overseas student fees have been seen as an important source of funding for HEIs. In 2002/3, 11% of first year students studying in Wales were paying overseas fees. The numbers have been increasing in recent years but there are still significant differences between HEIs in Wales, as was shown in Table 3.2. There have been recent reports to suggest that applications from overseas students are declining in the UK, partly due to visa restrictions and heavy increases in the costs of visa extensions. In Wales, some universities, including Cardiff and Swansea, have a relatively high proportion of overseas students, which has been increasing



over time. There are far more overseas students in certain departments, such as Computer Science and Business, than in other departments. More may need to be done to market Welsh HE courses internationally, and this could also be an important way for HEIs in Wales to widen their international links, particularly with expanding East-Asian economies.

**3.5.7** Institutions in general strive to cut down on bureaucracy and limit unnecessary overheads and waste. HEIs have been set ambitious targets by the NAFW of saving 3% of their budgets. They recently have received some criticism directly from the Assembly's Audit Committee on procurement of goods and services and from the Auditor General for Wales on energy efficiency. However, the sharp decline in unit costs that has already been documented has meant that the HE sector has already had to develop a reasonably good record in managing resources. We believe that there is very limited further saving to be gained here.

**3.5.8** After careful examination, we have concluded that the scope and range of alternative funding options is extremely limited and none of these potential funding streams will be sufficient to cover core costs and meet the funding gap. However successful the efforts of HEIs to generate additional income, there will still be a serious shortfall in funding for the sector.

**3.5.9** For a soundly financed sector, the main source of core funding will remain the public purse, which provides core funding for teaching and competitively allocated funds for research. We do not believe, however, that public funds alone can be sufficient to ensure the quality and excellence of teaching and research and widening of participation that the WAG strategy for HE demands. The Group therefore accepts that wider cost-sharing is needed, and that public resources should be supplemented, where possible, by contributions from students and graduates, by externally funded research projects, contracts and other forms of income generation.

## **3.6 The benefits of investment in HE**

**3.6.1** There is overwhelming evidence to suggest that HE is both a public and private investment. The benefits are evident at both a social and individual level in Wales. Investment in HE provides a higher skilled, more productive workforce, it helps to create jobs and its graduates are crucial to the public services and to the enterprise culture; research also improves productivity and innovation, and participation in HE enriches both the individual and society. Further investment is needed if Wales is to achieve its status as a knowledge economy. Continued underinvestment in the sector will clearly undermine these goals.

**3.6.2** There is also a wider set of 'non-economic' benefits of HE. There is strong evidence of 'externalities' derived from HE in terms of better health, citizenship, quality of life and civic participation. HE has an important influence in many other public spheres. HEIs play a vital role in the towns and communities in which they are located, bringing significant cultural benefits and diversity. The benefits of HE were recently summed up by the Chief Executive of HEFCE, Sir Howard Newby

*Higher Education is a key driver in providing economic and social benefits. Not only are the knowledges, skills and attitudes of graduates critical to business success, they also contribute strongly to civilising and cultural values in society and delivering other social aims. Increasingly the number of graduates brings considerable benefits to communities and society*  
(HEFCE NEWS: 2003, p 1)<sup>27</sup>

**3.6.3** There is also strong evidence, not only from the UK and internationally, but from the research we commissioned in Wales, that graduates, on average, are likely to experience real financial returns from their HE. Investment in HE continues to result in improved job prospects and higher levels of earnings for those who have made that investment. There are wide differences between graduates in terms of their expected returns, based on a number of factors such as the subject studied, occupation, sector and locality of employment and their other commitments, such as caring for children and other relatives, which may restrict hours or type of work. However, most graduates are still likely to enjoy significant financial benefits compared with those who did not enter HE. This is the main justification put forward, not only by the UK government but also by economists in many countries, for asking graduates to contribute to the cost of their education, since they will reap substantial benefits.

**3.6.4** Furthermore, the graduate premium is a lifelong benefit: better labour market opportunities and better overall life-chances for graduates will continue long after their graduation. A lifetime perspective should also be applied to the issue of debts arising from student loans and deferred fees. When loans had to be repaid in a fixed period of time, a student loan could represent a severe burden for low-paid graduates, but the introduction of income-contingent repayment loans in the UK means that the risks are substantially reduced, and they are now shared risks. Graduates now must pay a fixed proportion (9%) of their income, above a fixed threshold (now £15,000), which means that if they do not gain a financial benefit, in the form of higher earnings, they will not have to repay their share of the cost of their HE. Those who gain the most repay their loans quickly; but those with low earnings may never repay in full, and any remaining debt is written off entirely after 25 years. The terms of students' loans are also very advantageous. Because the interest rate on student loans is highly subsidised, they are, in effect, 'soft loans', and therefore quite different from, say, credit card loans, which have a high rate of interest so that debts accumulate rapidly over time. The interest on student loans, on the other hand, is linked to the rate of inflation, which means that in real terms the interest on student loans is zero: graduates simply repay what they owe in money of constant purchasing power. Section 6 of our report discusses in more detail the issue of debt aversion; this is an important issue, but the Group considers that it may be partly due to misunderstandings about the current student loan system.

## **3.7 Conclusion**

**3.7.1** The HE sector in Wales needs additional investment to ensure that Welsh HEIs remain competitive in UK and international terms. The level of core funding needs to be sustained in order for HEIs to strengthen their infrastructures and build upon their research and teaching capacities. Additional resources are also required, to overcome the shortfall created by past under-investment.

**3.7.2** The Welsh HE sector, on average, appears to under perform in comparison to England and Scotland in generating income from the sources identified and could do better; this can be attributed to under investment in the past. It is important that Welsh HEIs continue to pursue alternative sources of funding, but in a more sustained and vigorous way. Although the potential income from alternative funding sources is limited, it can usefully supplement core funding for HEIs.

**3.7.3** More innovative approaches are needed to increase investment in HE by employers, since they also stand to benefit from the skills of graduates entering the labour market. We discuss this further in Section 6.

## 4. Options for Funding Welsh Higher Education

**4.1.1** The Group explored, in depth, six options for HE funding in Wales, based primarily on support from taxpayers and students/graduates. These six models are briefly summarised in this section of the report; more details of specific options are given in Section 5 and Appendix VI. The six options refer mainly to full time students; Section 7 of the report considers part time students in detail. We estimated, as far as possible, the implications of all the models for the WAG budget, and for student support, and we considered the likely impact on students (mainly full time students in this section, as noted above), implications for the autonomy of HEIs and legal and financial implications. We attempted, also, to anticipate the risks associated with each model. These include implications for cross border flows of students and staff, and financial and other risks for Welsh HEIs.

**4.1.2** The six models were developed with considerable input from the sector through our consultation exercises, and with technical support from economists, lawyers and other specialists. We also drew upon a wide range of published and unpublished documents, including our own commissioned research. The extent of the technical support required is an indication of the complexities that we faced.

**4.1.3** We also took into account the extensive debate about HE funding that has taken place, both in Westminster and in Wales, including not only debates in the National Assembly and in Parliament, but in the press. Much of this debate was focused on fees, and assumed a polarisation between fixed and variable fees. Press accounts are often misleading, and suggest that variable fees are necessarily higher fees, while fixed fees represent lower fees. This is of course a misunderstanding. Fixed fees could be set at any level, not necessarily at the current rate of about £1,200, while variable fees could range from £3,000 to zero. Part time, postgraduate and overseas students in the UK have always been charged variable fees. The critical shift that has taken place, as recommended in the report of the *Independent Investigation Group on Student Hardship and Funding*, is from up-front fees to deferred fees, with income contingent repayment. But this is not well understood, even among some stakeholders, who still believe that students must pay fees while they are undertaking HE. As there is widespread misunderstanding of the term 'variable fees', the Review Group prefers the term 'flexible fees'. Indeed, since fees will be deferred, from 2006/7; rather than paid up-front, and since graduates will pay them, through the income tax system, on an income-contingent basis, a more accurate term would be 'flexible graduate contribution'.

**4.1.4** With so much emphasis on fees, there has been much less focus on the critical issue of maintenance support for students. The Group considers that a crucial issue is to ensure that students have enough to live on while they are studying, without having to take on excessive paid work and without leaving HE with unmanageable debts. This is critical to our thinking. Hence, while the fee regime is clearly an important feature in our models, it is not the only one. We have also explored a range of student support measures, including bursaries.

**4.1.5** A feature that is common to several options presented is a National Bursary Scheme for Wales that would address students' concerns about the need for a simple and transparent system, and would avoid undesirable aspects of the competition developing among English HEIs on bursaries and fee discounts. This recommendation is discussed further in Section 5.

## 4.2 Summary of Options

### 4.2.1 The six models are as follows:

- **Model 1 The Status Quo**

This would mean continuation, after 2006/7, of a fixed fee of about £1,200 a year for all full time UK and other EU undergraduates and would require continued subsidy from the WAG, in the form of an SIS, to compensate Welsh HEIs for the loss of fee income.

- **Model 2 £2,000 Fixed Fee**

The fixed fee would rise, for all new cohorts from 2007/8, from £1,200 (in Option 1) to £2,000 a year; this would also require continued subsidy by the WAG, but at a lower level than under Option 1.

- **Model 3 English Competitive Model**

This would mean that from 2007/8, similar models would be in place in Wales and in England; this would mean that Welsh HEIs could charge variable fees of up to £3,000 a year, subject to approval of fee plans by a relevant authority, as determined by the WAG (probably HEFCW).

- **Model 4 Variable Fees with a National Bursary Scheme**

This model involves variable fees of up to £3,000 in Wales (as in Option 3) but in place of the highly competitive situation developing in England, with HEIs offering different levels of bursary, there would be a National Bursary Scheme (NBS).

- **Model 5 Differential Variable Fees for Welsh and non-Welsh domiciles, with a National Bursary Scheme**

This model also involves variable fees and a NBS; the difference between this and Option 4 is that Welsh domiciled students would be charged lower fees than students domiciled in other UK countries, which would require subsidy from the WAG, in the form of an SIS, to compensate Welsh HEIs for the loss of income due to differential fees.

- **Model 6 £3,000 Fixed Fee with a National Bursary Scheme**

As in Options 1 and 2, fees would be fixed, rather than variable, but the basic fee would be set at the maximum permitted level of £3,000 a year; instead of a competitive situation regarding bursaries, as in Option 3, there would be a national bursary scheme (NBS) as in Options 4 and 5.

**4.2.2** All the models have implications for the WAG budget. We recognise that while it is important to ensure that students are not deterred from participation because of the private cost to them or their families; it is also important not to impose unrealistic burdens on the WAG budget - in other words, the cost to the wider public. We have therefore made estimates, based on what we believe to be realistic assumptions (including the latest

information on what fee levels will be charged in England from 2006/7), of the cost to the WAG budget of each of the six options.

**4.2.3** These estimates and other essential features of the models, including effects on Welsh HEIs and on students (both Welsh and other domiciled), cross border flows and legal implications, and our assessment of the risks associated with Models 1-3 and Model 6 are summarised in tables in Appendix VI. Models 4 and 5 are presented in more detail in Section 5 of the report.

### **4.3 Criteria and Framework for Evaluation and Judgement**

**4.3.1** The Review Group compared the six options, in terms of their strengths and weaknesses, using the following criteria:

- The impacts of different fee arrangements on the financial strength and sustainability of Welsh HEIs; in particular, their capacity for addressing the existing historic funding shortfall.
- The potential financial implication of different fee arrangements for the WAG in terms of the costs of providing an additional SIS for the sector to overcome the second funding shortfall, the potential 'gap' between Welsh and English HEIs arising from differences in fee arrangements.
- Institutional autonomy, parity, quality and diversity of provision in Welsh HEIs, relative to those in other parts of the UK, with particular emphasis on the need to ensure that the Welsh HE sector is not disadvantaged in comparison with other UK institutions.
- Cross border flows, in terms of the possible impact of different fee arrangements on the demand for places in Wales from Welsh, other UK and EU country domiciled students, the possible impacts on student support arrangements and the financial position of Welsh HEIs. A related issue is the possible further impact on cross border flows of teaching and research staff to and from Welsh HEIs.
- The legal implications for the financial administration of student support; in particular grant and fee remission arrangements for Welsh domiciled students and non-UK EU nationals.
- The impact of different fee arrangements on different groups of students, in particular, the likely impact of different fee arrangements and student financial support packages for the following groups: Welsh domiciled students in Welsh HEIs, Welsh domiciled students in English HEIs, English domiciled students in Welsh HEIs, non UK EU students in Welsh HEIs and part time students.
- The risks attached to these different options, in particular the financial, institutional, legal and administrative risks in implementing the different fee and bursary regimes.

**4.3.2** In applying these criteria, the Review Group based its judgements on which of the six models would best promote the following goals:

- Excellence in teaching, scholarship and research
- Access/participation in HE
- Enabling Wales to become a knowledge economy
- Increasing learning through the medium of Welsh
- Affordability/sustainability.

**4.3.3** These goals were chosen because the Review Group wanted to test each of the six options in relation to WAG's objectives for HE: namely to widen access, particularly for students from the most disadvantaged areas, to increase the proportion of Welsh domiciled students in Welsh HEIs and increase the number of students studying through the medium of Welsh, to promote an inclusive HE sector and knowledge-driven economy in Wales and to enable Welsh HEIs to achieve and retain world-class status.

## **4.4 Evaluation of Options**

**4.4.1** Each of the options has certain advantages. However, after careful appraisal the Group concluded that in four of the options, (Models 1, 2, 3 and 6) these would be outweighed by their disadvantages. The reasons why we rejected four of the six options are set out in detail in Appendix VI: Summary of Six Options considered by the Review Group, with Evaluation of the Rejected Options.

**4.4.2** Crucially, we judged that there would be risks and opportunity costs for all stakeholders in HE if these options were adopted in Wales. The differences between the rejected options and the alternative models proposed by the Review Group (presented in detail in Section 5) may appear small, particularly in the abbreviated descriptions in the summary Table 9.1 in Appendix VI, but we believe they are significant in terms of their longer term implications.



## 5. The Proposed Welsh HE Funding Model

**5.1.1** The Review Group sought to identify and develop a Welsh model that would address the specific challenges facing the HE sector in Wales, within the context of the existing powers of the National Assembly, and would also take account of the fact that HEIs in Wales recruit widely from both Wales and England. We examined in detail two options (4 and 5) that, in our judgement, represent the most feasible models for funding Welsh HEIs from 2007/8. There are both strengths and weaknesses associated with each model. Neither is entirely without risks, but both provide a distinctively Welsh solution to the problems of financing HE outlined in previous sections of this report.

**5.1.2** Our deliberations were informed by the WAG's conviction, expressed in the recent Wales Spatial Plan:

“Devolution has given us the opportunity to shape distinctively Welsh answers to Welsh questions, with more power to guide action, both directly or indirectly. To do this we need to co-operate across traditional boundaries and compartmentalised thinking.”

*(People, Places, Futures: The Wales Spatial Plan November 2004).*

**5.1.3** Our aim has been to work within this broad framework when considering the complex questions of funding Welsh HEIs.

**5.1.4** Both Options 4 and 5 would provide a distinctively Welsh model. They have many essential features in common, but there are also differences in design which have significant implications and raise different implementation issues. This section outlines both options, identifies their common features and also the main differences between them, and presents our overall assessment of the strengths and weaknesses of the options and our recommendations.

### 5.2 Alternative options for a Welsh model

**5.2.1** The fourth option considered by the Review Group was a fee regime involving variable fees and a National Bursary Scheme (NBS). This would give Welsh HEIs the power to set deferred variable fees for full time students between zero and £3,000. This would require commencement of the *HE Act 2004*, giving the Assembly Government powers to set a basic or higher limit to variable fees, but WAG could choose to set only a basic variable fee, in which case HEIs would not be required to prepare and submit fee plans for approval by an independent regulator. Bursary support for students in Welsh HEIs would be provided through a National Scheme, managed and co-ordinated at an all-Wales level; this could be managed by HEIs, acting collaboratively and following common standards and criteria set by the Assembly Government, rather than acting competitively as in England (or in Option Three). Welsh HEIs would have maximum flexibility with regard to fees and could also, if they wish, offer supplementary bursaries to selected students, in addition to National Bursaries.

**5.2.2** The fifth option, differential deferred variable fees with a NBS, also involves variable fees, and therefore requires commencement of the *HE Act 2004*, giving the Assembly Government powers to set a basic or higher limit to variable fees, but offers, in addition,

differential fees for Welsh domiciled students, for whom a lower maximum level would be set by the Assembly Government than for non-Welsh domiciled students. The Group modelled the effects of a maximum deferred fee of £2,000 or £2,500 for Welsh domiciled students, compared with a maximum deferred fee of £3,000 for students from other parts of the UK (students from non-UK EU countries would pay the same fees as Welsh domiciled students, as required by EU law).

**5.2.3** A policy of differential fees would require a necessary commitment by the National Assembly to ‘make good’ the difference between the lower fee level for Welsh domiciled students, and the higher fee level charged for the equivalent course to students from elsewhere in the UK. Section 4 gives estimates of the SIS in the four rejected models. A different way to achieve the same result - a fee discount for Welsh domiciled students - would be for the Assembly to set a single maximum fee level for all students, but to provide a fee grant of £1,000 or £500 to Welsh-domiciled students. In this case, no SIS would be required, but the cost to the Assembly Budget of providing fee grants for Welsh-domiciled students, would be identical to the cost of the SIS. The financial implications of differential fees are discussed in section 5.4. The NBS in Option 5 would be broadly similar to that of Option 4, and is discussed below.

### **5.3 Essential features and advantages of a Welsh model**

**5.3.1** The two options have certain essential features in common. First, Welsh HEIs would have flexibility to set fee levels for different courses in the light of national and institutional priorities, the level of demand for different courses, and the state of the market for HE across the border, in England. In discussion, the Group laid considerable emphasis on the need for flexibility, and as we explained in Section 4, the Group prefers the term ‘flexible fees’, because of widespread confusion about ‘variable fees’. Whatever the level of fees set by HEIs, a student would not be required to pay these fees ‘up-front’ while studying, but could take out a fee loan, which would be repaid, after graduation, on an income-contingent basis, (that is, by means of a constant proportion of a graduate’s income above a specified threshold). This is consistent with the recommendation of the first Rees Review in 2001, that up-front fees should be abolished and replaced by an income-contingent contribution paid after graduation; it is also consistent with the conclusions of this Review Group, that the costs of investment in HE should be shared by the beneficiaries - taxpayers and graduates - but that graduates who for whatever reason are not able to enjoy financial benefits from their HE, because they have earnings below the threshold, should not be required to contribute to its cost by repaying fee loans.

**5.3.2** Secondly, Welsh HEIs would be required to collaborate with each other in providing bursaries under the NBS, following criteria set out by the Assembly government, in the light of national priorities and policy targets. This would be in marked contrast to the situation in England, where HEIs will compete strongly with each other in the provision of bursaries.

**5.3.3** The Review Group believes that these essential features have a number of advantages. First, they give Welsh HEIs a degree of flexibility that is broadly similar to that enjoyed by their English counterparts. Welsh HEIs could respond to changes in the market for HE likely to occur as a result of the intense competition between English HEIs that will arise after introduction of variable fees in 2006/7. For the first year, when Welsh HEIs are required to

charge fixed fees of around £1,200, they will have less flexibility than their English counterparts, which could have implications for cross-border flows, and could lead to a sharp increase in the number of students from other parts of the UK and non-UK EU countries in 2006/7. Thereafter, however, there should be no direct effects on cross-border flows, and the Welsh HE sector will not be disadvantaged, in comparison with English HEIs, by the requirement to charge fixed fees. The effect on cross border flows in 2006/7 will depend, in part, on decisions taken by WAG on fee protection for the 2006/7 cohort, as discussed above in section 2.

**5.3.4** Another major advantage of both Welsh models is that the NBS would involve collaboration between Welsh HEIs on bursary provision, rather than the cut-throat and ultimately wasteful competition on bursaries that could develop in England. The WAG would have the opportunity to set rules and criteria for the NBS reflecting its policies and priorities, and HEIs would have the freedom to supplement national bursaries, if they wished, to reflect their own particular institutional priorities.

**5.3.5** A national scheme for bursaries, based on collaboration between HEIs, rather than the aggressive competition that seems to be emerging in England, would have a number of advantages for students. It would be simpler for students to understand. Indications, so far, are that in England the variety of bursaries that will be offered by different HEIs will be bewildering in its complexity. To make informed choices students in England will have to compare not only the level of fees for different courses but extreme variations in the type, level and conditions of bursaries offered by each HEI. Potential students from disadvantaged backgrounds, in particular, will find it difficult to gain access to gain good advice and information. The competition is for a finite number of students: HEIs are fined if they overshoot their targets of student numbers. Commentators have described the situation that is developing in England as “chaotic.” In contrast, a national bursary that can be taken to any Welsh HEI would empower students to make choices on the basis of educational, rather than financial factors.

## **5.4 Design and implementation issues**

**5.4.1** Despite the important commonalities between Options 4 and 5, there are significant differences in approach, particularly with regard to the level of variable fees. Whereas Option 4 provides complete flexibility for HEIs, with the possibility of deferred variable fees ranging from zero to £3,000 for all full time students and all courses, Option 5 provides the opportunity for differential fees, based on a student’s domicile or normal place of residence. The fee differential could be set at different levels, but for purposes of costing, the Group modelled two variants: a maximum fee of £2,000 or a maximum fee of £2,500 for Welsh-domiciled students, with a maximum of £3,000 for non-Welsh domiciled students. With any system of differential fees, Welsh HEIs would receive less fee income from Welsh-domiciled students than from students from elsewhere in the UK. Thus a system of differential fees along these lines would require a firm commitment by the National Assembly to ‘make good’ the difference, through a SIS, on an annual recurrent basis, sufficient to ensure that Welsh HEIs are funded at the same level as those in England.

**5.4.2** The thinking behind this system of funding for HEIs is that the costs of the additional funding of HE in Wales will be clearly and explicitly shared between individual graduates and taxpayers: the individual contribution would be through payment of deferred fees, the taxpayers' contribution via the SIS. However, as we emphasised earlier in the report, since the Assembly does not have tax-raising powers, any increase in WAG expenditure on HE would, unless extra resources are provided under the annual settlement negotiated between the Assembly and the Treasury, be at the expense of other parts of the education budget or other sectors, such as health or transport. The amount of the SIS required would depend on the fee differential. If the maximum fee for Welsh domiciled students were set at £2,000, compared with a maximum fee of £3,000 for students from elsewhere in the UK (a differential of £1,000) we estimate that by 2009/10 the Assembly would have to find, from its own budget, additional funds for an SIS of about £33 million. If the maximum fee for Welsh domiciled students were set at £2,500 (a differential of £500) the additional cost to the Assembly budget for the SIS would be lower - approximately £19 million, rather than £33 million, by 2009/10. If, instead of a setting differential maximum fees for students domiciled in Wales and those from elsewhere in the UK, the Assembly provided fee grants for Welsh domiciled students, the costs would be the same: £19 million if the fee grant were to be £500 and £33 million for a fee grant of £1,000. In either case, non-UK EU students would pay the same as Welsh domiciled students, as required by EU law.

**5.4.3** Another difference between the options concerns the need for fee plans. Under the HE Act 2004, the maximum level of fees that HEIs may charge is determined by two figures - a basic amount and a higher amount - as set by the Secretary of State in England or the NAFW in Wales. In England, the Secretary of State will set both the *basic* amount, likely to be around £1,200, and a *higher* amount of £3,000. English HEIs will be permitted to charge £3,000 (or any other amount that exceeds the basic amount) *only* if they have an approved fee plan, which shows how they intend to address issues of widening access (for example by providing bursaries for disadvantaged students), and which has been approved by OFFA. The 2004 Act gives the NAFW the power to prescribe a *basic* amount and a *higher* amount for variable fees; HEIs will not be able to charge fees above the basic amount unless they meet conditions to be determined by the Assembly, including preparation of fee plans that must be approved by the relevant authority (as defined in the following paragraphs).

**5.4.4** In England, the 2004 HE Act specifies that fee plans, which must be approved by OFFA, must include provisions for promoting access and equality of opportunity; they are therefore generally known as 'access plans', and they provide details of the bursaries and other forms of support that HEIs will provide to promote wider access. In Wales, on the other hand, the Act requires HEIs to produce, if required by the Assembly, plans that relate to (i) the promotion of equality of opportunity, or (ii) the promotion of HE. This is more wide-ranging than in England, and the plans that HEIs may need to prepare are therefore generally described as 'fee plans' in Wales, rather than 'access plans'. The 2004 Act gives the National Assembly the power to determine the relevant authority that must approve the fee plans of HEIs in Wales, if these are required.

**5.4.5** If the Assembly decides to set only a basic amount, which HEIs may not exceed if they charge variable fees, it would not be necessary for institutions to draw up fee plans. If the Assembly sets both a basic and a higher amount, it will be necessary for any HEI that intends

to charge more than the basic amount to prepare a fee plan, and to seek approval from the relevant authority, as determined by the Assembly, in order to charge up to the higher amount. The WAG has indicated that the relevant authority for approval of fee plans is likely to be HEFCW, rather than a specially appointed body such as OFFA in England. The Review Group considers that this would be entirely appropriate, since HEFCW already requires, as a condition of grant to HEIs, quite detailed strategic plans from each HEI, including provisions for promoting access and equality of opportunity. To establish a separate body to approve fee plans, if these are required, would therefore involve unnecessary duplication of effort and waste of resources.

**5.4.6** Under Option 4 the Assembly could decide to set only a basic amount. This could be £3,000. HEIs would then be permitted to charge fees up to this amount and would not be required to produce fee plans. If the Assembly decides to address issues of access and equality of opportunity by requiring HEIs to provide bursaries for disadvantaged students through a National Bursary Scheme, it would not be necessary for each HEI to prepare fee plans setting out their own plans for bursaries. HEIs would still be able to offer additional bursaries, financed from their own resources, but this would not be a condition for charging variable fees, as it is in England. Since Welsh HEIs already provide HEFCW with details, in their strategic plans, of measures to promote HE and equality of opportunity, the Group does not judge it necessary to require HEIs to produce fee plans, in addition to strategic plans, as a condition for charging variable fees.

**5.4.7** Option 5, on the other hand, which involves differential fees, might require the Assembly to set both a basic and a higher amount. In this case, HEIs would be required, under the *HE Act*, to prepare fee plans, and to have them approved by the relevant body which, as explained above, is likely to be HEFCW. In this instance, the Group is strongly of the view that a 'light touch' is needed for fee plans, and that already existing mechanisms for reporting to HEFCW should be utilised or modified, in order to fulfil the requirements of fee plans. On the other hand, if the Assembly decided to set only a basic amount, (which could be the maximum fee of £3,000), and to provide a fee grant of £500 or £1,000 for each Welsh domiciled student, it would have a similar effect, would have the same cost implications for the WAG budget, and would avoid the necessity for fee plans.

**5.4.8** The Review Group was divided on the relative advantages and disadvantages of differential deferred fees. We had a very full discussion of the implications of these two options for the Welsh HE sector and individual HEIs, for students, and for the Assembly budget. Some members believe that a policy of differential fees would provide an even more distinctively Welsh solution to the problem of funding Welsh HEIs than unrestricted variable fees. The Assembly wishes to encourage more Welsh students to study in Wales - the current proportion of about 62% is far lower than the equivalent proportions in England, Scotland or Northern Ireland - as well as to encourage more Welsh graduates to remain in Wales and to contribute to Welsh society, culture and the labour market. An advantage of differential fees would be that it could help achieve this aim by providing a financial incentive for Welsh domiciled students to study in Wales. There would, however, be a cost to the Assembly if this policy were adopted. It would require additional funding from the Assembly - to finance an annual SIS - to ensure that Welsh HEIs did not suffer financial loss and competitive disadvantage, compared with their English counterparts, or to provide fee grants for all Welsh domicile students (and eligible EU students).

**5.4.9** Some members of the Group argued strongly that this additional cost to the Welsh Assembly budget can be justified on grounds of cost sharing: both graduates and taxpayers would provide additional investment in HE, the graduate through income-contingent payment of deferred fees (with a discount for Welsh domiciled students) and the taxpayer through the SIS for Welsh HEIs. Other members believe that other claims on the Assembly budget - from elsewhere in the education sector as well as from health, transport or other sectors - mean that there is a significant risk that the SIS might be set at a level that did not fully compensate HEIs for the shortfall in fee income from Welsh students. This could result in a funding gap in relation to English HEIs, with a corresponding decline in the competitive position of the Welsh HE sector. Alternatively it could create disincentives for Welsh HEIs to accept Welsh domiciled students, if they suffered a financial penalty from increasing their proportion of students of Welsh domicile.

**5.4.10** Not only were there differences of opinion within the Review Group on the relative merits of Options 4 and 5; we found similar differences of opinion among stakeholders. We were encouraged that there appeared to be widespread, though not universal, support among stakeholders for a distinctively Welsh system of fees and student support, involving some form of flexible fees combined with National Bursaries. When we consulted with stakeholders on a confidential basis, Options 4 and 5 (i.e. our two proposed Welsh models) had greatest support.

**5.4.11** On balance, a majority of the Review Group were in favour of simple variable deferred fees, combined with a National Bursary Scheme (Option 4), believing that this would maximise flexibility for both Welsh HEIs and the Assembly, but there was also considerable support in the Group for Option 5, with a system of differential deferred fees for Welsh domiciled students, combined with a National Bursary Scheme and a compensatory SIS from the Assembly budget to cover the cost of fee differentials.

## **5.5 The Proposed National Bursary Scheme**

**5.5.1** The Review Group regards a National Bursary Scheme (NBS) as an essential element of any Welsh model. As briefly explained above, a national scheme offers the advantage of collaboration between HEIs, rather than the confusing competition that is emerging in England. It also has advantages of simplicity and empowerment for the student, since it provides money “up-front”, which can be used at any Welsh HEI. The Group considered, and discussed at length, several different ways of designing and implementing the NBS. The essential issues that need to be addressed are the criteria for targeting particular groups of students, the level of bursaries offered and who should administer the scheme. Our discussion in this section relates only to full time students. Although the Group considers that, in principle, certain part time students should be eligible for national bursaries, this is a complex issue; we discuss this in more detail in Section 7.

**5.5.2** We considered, but rejected, the possibility that bursaries would be available only for Welsh domiciled students. While this appears, at first sight, to be consistent with the WAG objective set out in *Reaching Higher* of attracting more Welsh domiciled students to study in Welsh HEIs, it has the disadvantage of discriminating against students from other parts of the UK. This could be open to challenge in the courts, and it would also be contrary to the Assembly’s objective of promoting a socially inclusive system designed to increase



participation by students from disadvantaged backgrounds. We therefore favour a NBS that targets low-income students, first and foremost, on grounds of their family income. A system of means-tested national bursaries would benefit Welsh-domiciled students from disadvantaged backgrounds, since they are most likely to choose, for financial reasons, to study in an HEI near their home, and it would also benefit students from low-income homes outside Wales. Since the judgement of the European Court in the Bidar case will require the Assembly to make any statutory bursary support available to eligible non-UK EU nationals in certain specific circumstances, there is a slight risk that EU nationals might choose to study in Wales rather than England, because of the availability of bursaries, but the number of EU nationals who would meet the residency requirement for maintenance support is likely to be very low, so we did not regard this as a serious risk. In addition to the means-tested bursaries, the NBS could offer a small universal bursary to all Welsh-domiciled students studying in Wales. This would provide a financial incentive to study in Wales, in line with the Assembly's goal that by 2010 Wales should be regarded as the destination of first choice by a majority of Welsh students, and would help achieve the target in Reaching Higher that the proportion of all full time Welsh domiciled HE students enrolled at UK HEIs who are studying in Wales should rise from 60% to 66%.

**5.5.3** The NBS could also be designed to provide financial incentives consistent with other aspects of the Assembly's HE policy. For example, a small additional bursary could be offered for those studying through the medium of Welsh, in line with the WAG target that the proportion of students in Welsh HEIs undertaking some element of their course through the medium of Welsh should increase to 7% by 2010. Incentives could also be offered for those studying shortage subjects. Another proposal considered by the Group would be to provide, through the NBS, a travel pass for local travel which would help not only sustain public transport but also reduce the use by students of private motor cars on and around campuses, and thus reduce congestion. This is discussed further in Section 6.

**5.5.4** The size of the bursaries and the number and amount of special incentives offered under the NBS will depend partly on how it is financed. In England, all HEIs charging variable fees will be required to offer bursaries of at least £300 (or 10% of the maximum variable fee) to selected students, as a condition of approval of their access plans by OFFA. The simplest way to finance a non-statutory NBS in Wales would for the Assembly Government to require HEIs in Wales to contribute from their additional fee income an equivalent sum of £300 (or 10% of the maximum variable fee) per student into a central fund. Alternatively, HEFCW could 'top-slice' from the grant of each HEI, a sum equivalent to £300 per full time undergraduate. This would raise a sum which would correspond to the minimum total amount provided for bursaries by English HEIs. This could be used to finance the NBS. In England, according to information already available on access plans, the total amount of bursaries provided by HEIs will be much higher than the minimum figure. In Wales, HEIs would be able to supplement, from their own resources (including fee income) the national bursaries offered to specific categories of student. The Assembly Government could also, if it wished, choose to supplement the total funds for the NBS (raised by £300 per student) by providing additional resources to take account of specific national priorities, such as incentives for Welsh medium study or for shortage subjects. Alternatively, the WAG could simply make available additional direct grant support, through the statutory student support system, for the same purposes.



**5.5.5** The Review Group considered various options for management of the NBS, including direct management by the Assembly, by HEFCW, by HEIs, or by the University of Wales. On balance, we favour management of the NBS that is sector-led, rather than being the direct responsibility of the Assembly or HEFCW, which we believe would weaken the autonomy of Welsh HEIs. The minimum size of NBS bursaries and the criteria for their allocation would be set by the Assembly, but administration of bursaries would be the responsibility of HEIs, which could use, for purposes of means-testing, information on family income level of students collected by LEAs and used by the Student Loan Company (SLC) to determine eligibility for student loans and other forms of means-tested student support.

**5.5.6** There remain serious implications for part time students and for franchise arrangements. These are addressed in Section 7 below.

## **5.6 Recommendations on HE funding**

**5.6.1** There was unanimity in the Group on the need for a distinctively Welsh model, combining in a cost effective way, deferred flexible fees, paid by graduates on an income contingent basis, and a NBS, managed by HEIs in a collaborative way, with guidance from the Assembly on the priorities and criteria for determining their level and distribution. We believe that such a system offers the greatest scope for a strong and responsive HE sector in Wales, with flexibility and autonomy for Welsh HEIs, together with targeted, means-tested bursaries for students, both Welsh and non-Welsh domiciled, and with protection for graduates through income-contingent repayment of loans.

**5.6.2** However, the Group was divided about the desirability of differential fees for Welsh domiciled students, and the risks associated with HEIs remaining dependent on the SIS from the Assembly budget. Our recommendations have therefore allowed for both options. We have six main recommendations on HE funding and students support, presented here, and a further 10 subsidiary recommendations, presented in the next section, which focus on crucial development, implementation and review issues.

**5.6.3** The six main Review Group recommendations, therefore, are as follows, and are discussed in turn:

- *Recommendation 1 Deferred Flexible Fees*
- *Recommendation 2 Differential fees for Welsh domiciles at Welsh HEIs*
- *Recommendation 3 National Bursary Scheme*
- *Recommendation 4 Provisions for part time students*
- *Recommendation 5 Equality proofing*
- *Recommendation 6 Further WAG investment in HE sector*

### **Recommendation 1: Deferred Flexible Fees**

The Assembly should commence to use the powers, granted by the *Higher Education Act 2004*, to permit Welsh HEIs to charge full time undergraduate students deferred variable (flexible) fees, from 2007/8, of up to £3,000. The Assembly should set a maximum basic amount,

and/or a maximum *higher* amount, which may not be exceeded, and should specify the conditions that HEIs are required to meet in order to charge the maximum higher amount (if such an amount is set). The Assembly should also specify the relevant authority that must approve fee plans, if these are required as a condition for charging fees of up to the higher amount. If, as we expect, this is HEFCW, HEIs will be expected to report to HEFCW on how they are using the additional revenue raised from fees.

### *Recommendation 2: Differential Fees for Welsh domiciles at Welsh HEIs*

If, after further analysis of the costs and the implications of differential fees, the Assembly decides to set differential maximum fees for Welsh domiciled and for non-Welsh domiciled students, it should provide HEIs with adequate compensation on a recurrent basis, in the form of a Supplementary Income Stream (SIS) to cover the shortfall in income resulting from the imposition of differential fees. Alternatively, if it is decided to offer Welsh domiciled students a fee grant, instead of charging differential fees, the Assembly should ensure that sufficient funds are allocated from its annual budget to meet the costs of entitlement to a fee grant for all full time Welsh-domiciled students at Welsh HEIs.

### *Recommendation 3: National Bursary Scheme*

A National Bursary Scheme (NBS) should be established to provide a system of targeted, means-tested bursaries for disadvantaged students, both Welsh and non-Welsh domiciled, in order to promote equality of opportunity and wider access to Welsh HEIs. The NBS should also offer small non means-tested bursaries for all full time Welsh domiciled students studying in Welsh HEIs, in order to provide incentives for Welsh domiciled students to choose to study in Wales. Further analysis should be undertaken of the costs and criteria for incentive bursaries, for other categories of students, including those studying through the medium of Welsh and/or studying shortage subjects or subjects deemed to be essential for the Welsh labour market. Consideration should also be given for part of the support package to be a non means-tested travel pass for local travel. We recommend that administration of the NBS should be sector led.

### *Recommendation 4: Provisions for Part time students*

We recommend an Independent Review is established to make recommendations to the WAG on creating an affordable, practicable, simple and transparent system of fees and student support for part time students for implementation in 2007/8. Meanwhile, existing part time provision should not be jeopardised by significant increases in fees. We recommend that the WAG gives serious consideration to using that element of ALG funds currently allocated to full time Welsh domiciled students in higher education, combined with that proportion of ALG money currently being paid to part time students in HE, to support new arrangements for part time students in Welsh HEIs. We recommend that a scoping study be undertaken with a view to making the NBS open to Welsh-domiciled part time students, on a pro-rata basis, if they are studying 30 credits or more per year, as part of a recognised scheme of study leading to a qualification. This should be completed in time to allow any introduction of appropriate NBS support for part time students alongside that for full time students.

### *Recommendation 5: Equality proofing*

All the scoping, development, implementation and review phases should be thoroughly equality proofed, drawing upon professional expertise, to ensure in particular that the proposals *promote* equality on the grounds of sex, race and ethnic origin, disability, sexual orientation, faith, age, Welsh language and class, and that they also pay due regard to equality for all. Impact assessments, in particular, need to be built in to the project management systems.

### *Recommendation 6: Further WAG investment in HE sector*

Despite our proposals to increase the income stream to HEIs through flexible fees, the WAG will still need significantly to increase its investment in the HE sector, to address the funding gap. The amount of that increased contribution is dependent upon detailed decisions by the WAG in response to our recommendations about enhancing the graduate contribution and a more detailed assessment about the funding gap.

These are our main recommendations. However, the method of delivery is critical. We have therefore explored important issues especially on student support, learning from what is going on in Wales from our commissioned research, messages from stakeholders and other sources. The next section sets out these issues and makes further recommendations.

## 6. Student Support: Issues and Recommendations

In this section, we describe briefly the changes being made to the statutory student support system in England that will also be introduced in Wales in September 2006. In the context of this, we discuss a range of issues of concern, drawing in particular upon our literature review, research and responses from stakeholders, and emerging patterns in England to make a set of ten specific recommendations, designed to ensure that the broad policies described in the previous section will work effectively. These subsidiary recommendations are essentially about how to deliver on our main recommendations, addressing some of the key issues of:

- access and participation,
- earning and learning,
- the development and implementation of student support systems,
- improving universal access to good quality information and advice,
- monitoring, review, evaluation and research,
- other income streams, and
- the post-devolution strategy framework.

### 6.1 The new system of statutory student support

**6.1.1** WAG Ministers have agreed that the initial package of student support measures in Wales should be underpinned by these core principles:

- on devolution, students ordinarily resident in Wales will receive a student support package which is no less generous than that which they would have received under a DfES funded and administered student support system;
- there will be no compromise on the widening access agenda.

**6.1.2** From 2005/6, in England, a new statutory support system of maintenance grants, maintenance loans and fee loans is being introduced. At its core will be the means-tested loan from the Student Loans Company (SLC), now supplemented by a newly established means-tested maintenance grant towards living costs (the 'HE grant'). In Wales, maintenance grants were introduced in 2001 (the Assembly Learning Grant). Hence, when the Assembly takes responsibility for administering the statutory student support system in Wales from DfES in September 2006, as set out in the *HE Act 2004*, it will, in the interests of simplicity, make as few changes as possible but, for consistency, it will rebrand the HE grant as the ALG. Unlike England, part time students in Wales will still be able to claim the ALG and other elements of HE/FE support in 2006/7. A summary of the enhanced statutory student support arrangements that will be in place in Wales from 2006/7 is presented in Appendix VII.

**6.1.3** In 2006/7, in England, the statutory support system will run alongside whatever bursaries and other offers are made available by individual HEIs as part of their fee plans, making, in our view, a rather complex picture for potential students wishing to find out to

what support they may be entitled and what they may offered. In Wales, we believe it is essential to have a clear, easy, transparent system of student support that is easy for all students, parents and advisers to understand. It needs too, to be designed to address a range of areas of concern, the first of which is enhancing access and participation.

## **6.2 Widening access and increasing participation**

**6.2.1** We are mindful of WAG's objective of widening access and increasing participation in HE by Welsh-domiciled students, whatever their background and regardless of their characteristics, circumstances and previous learning trajectory. We note in particular WAG's desire to see greater recruitment to Welsh HEIs from Community First areas. It is important to recognise that such students frequently need higher levels or different kinds of support from other groups. Retention is as important as recruitment. Whatever package of funding and support is implemented, therefore, must contribute to the objective of widening access to those students who have traditionally been under-represented in HE as well as increasing participation overall in appropriate post compulsory learning, including HE.

### *Early years*

**6.2.2** Whilst focusing on HE, the Group recognises that there are very complex reasons for non-participation and that action is required at an earlier stage: resources at pre-18 level are also important. In order to make real and tangible inroads into widening participation, Group members were agreed that intervention has to start much earlier, in order to increase the number of those qualified for HE. This is a matter not only of ability and achievement but also of raising aspirations and addressing issues such as cultural barriers to HE earlier on in the education system. The Widening Access Fund (WAF) is an example of an innovative scheme that has been produced through partnerships, some of them even at pre-school level, which could be taken as an example of best practice in this area. We therefore endorse devoting resources to earlier levels of education, including projects and schemes aimed at raising aspirations and improving university readiness.

### *HE in FEIs*

**6.2.3** Section 2 described HE programmes delivered in FE colleges (FEIs). The Group recognises that these make an important contribution to the agenda on widening access and increasing participation. But there are several important issues relating to fees and loans for students on such programmes.

**6.2.4** HE programmes delivered in FEIs can be either directly funded or funded via franchise arrangements with an HEI partner. Such partnership arrangements between HEIs and FEIs currently result from negotiation between individual institutions, as there is no specific guidance relating to them. However, HEFCW does state in the circular *Higher Education in Further Education Colleges, Outcome of Consultation* (October 2004) that guidance will be prepared on franchise arrangements.

**6.2.5** The Group was aware of issues which have arisen in England as a result of the complexity of setting fee levels in a variable fee regime within franchise arrangements and felt it was important that in Wales these issues were recognised and discussed. In addition FE

stakeholders highlighted the importance of being in a position to set fee levels appropriate to the needs of their locally based client groups.

**6.2.6** Partnership arrangements for franchised provision will need, therefore, to address how fee levels will be agreed between partner institutions, and this needs to be a consideration in any guidance developed. The situation is likely to be more straightforward when the FEI is directly funded by HEFCW. However the degrees awarded by the FEI are validated by an HEI, who may have a view on the fee levels.

**6.2.7** There are also implications for franchise partnership agreements if a National Bursary Scheme is introduced. If administration of the NBS is sector led, as recommended under 5.5, then there will need to be discussion with stakeholders as to how this is managed equitably within franchise arrangements.

### *HE as a route back to the labour market*

**6.2.8** Many people never think about HE as a possible option for them. Ideas about HE being suitable only for certain members of the population and ‘not for us’ prevail, especially among older people from disadvantaged backgrounds. We should like to see those responsible for offering information and guidance to those seeking to return to the labour market, whether as women returning from caring responsibilities, Job Seekers looking for work, asylum seekers, travellers or people leaving prisons, being provided with information and guidance about HE, and the available support and access routes to it as a viable option, as appropriate.

**6.2.9** Recommendations on access and participation:

#### ***Recommendation 7 Investing in early years***

To increase the number of those qualified for HE, intervention has to start early on in the education system. We recommend devoting more resources to earlier levels of education, including projects and schemes aimed at raising aspirations and improving university readiness in areas of low participation.

#### ***Recommendation 8 FE/HE interface***

We recommend guidelines to underpin franchise arrangements, in consultation with HEIs and FE colleges, HEW and Fforwm, to include arrangements between FE colleges and HEIs regarding fees and access to the NBS for students in FE studying HE.

#### ***Recommendation 9 HE as a route back to the labour market***

We recommend that consideration be given by WAG to exploring the feasibility of a pilot scheme, working with Jobcentres Plus in Wales, where the potential role, for Job Seekers of HE as a trajectory back to the labour market, would be more strongly highlighted in job centre interviews, with access routes and sources of support identified and considered. Projects could also be developed for other groups with low participation rates, such as those leaving prison (this links to Recommendation 13 below).

## 6.3 Earning and Learning

### *Debt aversion*

**6.3.1** At present, there is much concern, but also much emotive language, around the issue of fees and student loans, particularly around debt accumulation and debt aversion, which influences attitudes to borrowing to finance HE. Callender's work (2003)<sup>28</sup> has shown this is a serious problem among students. We found evidence of considerable concern about rising levels of student debt. The commissioned research conducted from Fitz et al. (2005) noted that debt was perhaps the greatest cause of concern for certain groups of young people contemplating entering HE.

**6.3.2** We do not wish to underplay these concerns in the slightest. However, figures quoted for student debts are sometimes misleading, and do not distinguish between different types of debts. Fitz et al. (2005) noted that there was a prevailing view among many of the young people interviewed that a student loan is like a mortgage: both represent long-term investments. If it were more widely recognised that loans are a mechanism to enable students to invest in their own future skills and careers, and that fee loans enable them to defer payment until they are benefiting from that investment, hence removing the risk element, then some of the fear of debt might be reduced. The abolition of up-front fees and their replacement by deferred income contingent payments is not well publicised. Members of the Group consider that there should be more focus in debates and information on 'investment by students', rather than simply debt burdens, with more emphasis placed on the future returns of such investment, as well as the costs attached to it.

**6.3.3** We invited WAG to think about students in terms of investment in the future in our earlier report. In the same way, here we are concerned that the notion of debt may stand in the way of individuals investing in their own future by pursuing HE. We want to encourage more discussion of HE as an investment for the individual, but we are at the same time mindful that HE is also an investment for society. Our recommendations on sharing the costs of higher education reflect this.

**6.3.4** We are, however, aware that students leave HE owing money, sometimes considerable sums, and that this is a cause for concern and needs to be kept within reasonable bounds. Student maintenance grants are helpful here. We are mindful of the importance of an appropriate threshold for repayment of loans, and discuss this issue below. We are also aware that attitudes to debt are quite complex. The survey of young people conducted for the Group found that those most likely to go to university are not deterred by the prospect of debt, but "seem to accept it as part of the university experience." On the other hand the researchers noted that "further analysis is needed to discover whether debt discourages socially-economically-disadvantaged groups from applying for university places", (Fitz et al. 2005). The Group concludes that further research is needed on attitudes of particular groups of students to debt; this should include not only students from disadvantaged backgrounds, as highlighted by Fitz et al., but also mature students (see Recommendation 15 below).

### *Improving the benefits of students undertaking paid work*

**6.3.5** The Group is mindful that young people undertake paid work while still in school, and many continue this while studying in HE. Indeed, as we discovered in our first Review, some students are combining studying with many hours of paid work so that not only is their



experience of being a student and being able to become involved in a range of activities such as volunteering curtailed, but also their studies may suffer. At the same time, employers are seeking highly employable graduates, where some relevant work experience would be an asset. We have therefore developed a set of recommendations that build on these points to propose the development of more opportunities for structured paid work while studying. At the heart of these recommendations is the Graduate Apprenticeship Scheme, which links students to employers, or a group of employers, and ensures a mutually beneficial set of paid work experiences. We are aware that there are already some good initiatives involving some HEIs and some employers, but feel there is considerable scope for developing these arrangements. Initial contacts with employers suggest the idea may be favourably received.

### **6.3.6** *Recommendation on earning and learning:*

#### ***Recommendation 10 Scoping project on earning and learning***

We recommend that the WAG commissions a scoping project, led by the HE sector, Careers Wales, employers and their organisations, the Welsh Development Agency and ELWa, for exploring innovative options for earning while learning. This would address the issue of enhancing student employability, ensuring that paid work while studying would contribute more educationally and would be better regulated than at present. We specifically propose the scoping study explores:

- establishing a Graduate Apprenticeship Scheme, which would combine learning and employment opportunities for students in structured and mutually reinforcing ways;
- the scope for more HEIs in Wales to offer students the opportunity of a year's paid work experience with an employer during their course; and
- the scope for HEIs to make further endeavours to offer campus based work opportunities, while being sensitive to trade union issues.

## **6.4 The implementation of student support**

### ***Equality***

**6.4.1** The Group has been mindful, when considering student support in Wales, of the need to focus on equality issues. We need to ensure that students have access to appropriate levels and means of support in order to allow them to meet their own financial and maintenance needs whilst in HE. This should be regardless of their gender, age, disability, race, ethnic origin, faith, sexual orientation and social class and which of the two official languages of Wales they speak. This is key to ensuring a socially just and inclusive HE sector in Wales. Our consultations with stakeholders have sought to reflect the voices and concerns of students about the impact of different student support regimes.

**6.4.2** There is evidence of particular problems relating to assembling an appropriate package of student support measures for disabled students and mature students, students with caring responsibilities and those with transport needs.

**6.4.3** Some of the students for whom we also have especial concern include Islamic students, whose religion forbids them to take out loans which charge interest, and gay, lesbian and bisexual students who may be at greater risk of estrangement from their families because of their sexuality.

**6.4.4** We received some helpful, strong messages about how to ensure that the needs of students with disabilities were addressed adequately in student support systems. Some also apply to the student population more generally. The key messages we received were as follows:

- It can be especially difficult for students with disabilities to put together a support package at the beginning: information about the student support system should be simple, clear and consistent;
- There needs to be compatibility between student support systems and disability allowances and benefits;
- Student support systems should take into account the relative lack of opportunity for many students with disabilities to undertake paid work while studying;
- Students in FE need to re-work their package of support when going to HE; particularly problems are faced here by disabled students. This often constitutes a real barrier to progression into HE by these groups of students;
- Student support systems need to address the fear of debt experienced by many students with disabilities; and
- Student support systems need to address the fact that many students with disabilities may have breaks from their study, or move from full to part time study, or vice versa, and will therefore be moving in and out of various benefit systems. Student support systems need to be designed to take this into account.

**6.4.5** Caring responsibilities and transport needs are two issues facing many students. They therefore need to be targeted as part of overall expenditure of future student support packages.

**6.4.6** HE students and prospective students who are parents should have knowledge of and access to the various additional packages of student support available to them. Students with children may be eligible to receive the Parents Learning Allowance (PLA) to meet course-related costs and a Childcare Grant for students using registered or approved childcare.

**6.4.7** We encourage HEIs to review their childcare facilities: those with a large or growing mature student population may need further investment in childcare facilities. Many HEIs already provide day centres: this has proven especially beneficial to mature students whose partners hold full time jobs.

**6.4.8** We recognise that students may well have wider caring responsibilities, elder or dependent care for example. It is important that student support packages are designed with this in mind and such applicants are enabled to undertake HE.

**6.4.9** Part of the NBS could include an entitlement to a travel pass for local travel for all students studying at Welsh HEIs. It would provide continuity of provision for students from FE moving to HE. It would also be of advantage to students living some distance from their university campus; in particular, students in residential areas located well outside their HEI. It might also reduce the use by students of private cars in University towns, which is a cause of congestion. This could also be offered to overseas students subsidised from the fees HEIs receive from these students.

**6.4.10** The Welsh Language Board, the NUS and other stakeholders have impressed upon us the need to give students choices, ensuring that courses in the Welsh language are protected, and indeed that there is funding to expand provision of Welsh medium courses to meet labour market needs. This implies ensuring adequate resources for new staff as well as curriculum materials. The Group also considered the possibility of giving a financial incentive to students, through the NBS, to take courses through the medium of Welsh. This is discussed in Section 5 above. We should like to see HEIs review their plans for teaching through the medium of Welsh, thus continuing in the HE sector the work done at the primary and secondary education levels to promote both English and Welsh learning.

**6.4.11** In our various consultation exercises with stakeholders we heard concern from students about the arrangements that currently exist in relation to estrangement - an area where there is a lack of clarity at present. While estrangement is a particular cause for concern for lesbian, gay, bi-sexual and trans-gender (LGBT) students, this is a wider issue and a problem for other, often larger, groups of students. This includes, for example, large numbers of students whose parents choose not to support them, which is likely to be related to issues of class.

**6.4.12** The central point raised in discussion is that people experience problems if estrangement occurs in the period in which students are trying to put a student support package together, since students have to demonstrate that they have been estranged for a certain period of time in order to prove that estrangement has taken place. Currently, LEAs can only consider students who are actually estranged, and not those who are 'at risk' of estrangement. The reason for estrangement is not relevant and in the majority of cases LEAs do not ask. LEAs need proof of, rather than reasons for, estrangement.

**6.4.13** Before 2004/5, LEAs did not record information on the numbers of students who were awarded independent status on the grounds of estrangement.

**6.4.14** There was also concern among Group members relating to students who are not estranged from their parents but who are nevertheless refused parental support for whatever reason. In other words there was concern, not only relating to 'technical' estrangement, but also to those who are refused parental support or who do not get the full support that is assumed. Currently, if parents refuse to complete their part of the form used to assess eligibility for student support, LEAs can write to parents to explain that any contribution assessed is not enforceable, that by filling in the form the parent may help to ensure that the student receives support, but that if parents refuse to provide any information, the student will receive no support. After that, there is nothing that LEAs can do. The Group therefore

recommends that the WAG be responsive to the needs of students who are estranged from their parents or who do not receive support from their parents, for whatever reason.

### *Rules on previous study*

**6.4.15** Current 'previous study' rules prevent students being eligible for the HE Grant or fee grant where they have already attended a full time HE course. The rules do not currently apply to the maintenance loan or any of the supplementary grants (e.g. Disabled Student Allowance). Previous study is also not taken into account where someone undertakes initial teacher training and does not have qualified teacher status. These rules are designed to support students with uninterrupted attendance on a traditional course of study resulting in the awarding of a degree. However, students who depart from this traditional uninterrupted study route are debarred from further support, regardless of whether or not they have completed their course or achieved a qualification. DfES is consulting on proposed changes to this system to make it simpler and more flexible. The proposed new system, to be operational for new and existing students in England from 2006/7 onwards, would allow all students normally resident in England support equivalent to the duration of their course plus one additional year if required, regardless of whether there is a break in study. The additional year allows for false starts and repeat study years. DfES also intends to retain existing provisions which allow further support for those unable to complete their course for 'compelling personal reasons'. Current arrangements regarding previous study for part time students transferring to full time study do not generally impact on the support available. DfES does not intend changing this arrangement. This applies to those students who do not already have a degree.

**6.4.16** In the interests of promoting flexible participation in higher education, the Group discussed the proposals for 2006/7 being presented in England on 'previous study' and recommends that a similar approach is taken in Wales.

### *Repayment Threshold*

**6.4.17** An important change was introduced in 1998 in the way graduates repay their student loans. Those who took out a loan before 1998 had to repay the loan in a fixed period of time. Monthly repayments could represent a considerable burden for low-paid graduates. Since 1998, graduates repay their loans through income-contingent repayments, collected by the Inland Revenue. Graduates must pay 9% of their income above a fixed threshold (originally £10,000, but that was raised to £15,000 on 6 April, 2005).

**6.4.18** The Group welcomes the increase in the threshold, which means that graduates in low-paid jobs will not have to repay their loans until their annual income increases, and they begin to enjoy the financial benefits of HE. This is a significant change, as illustrated in Table 6.1 below. Under the old threshold, graduates earning £12,000 a year would repay nearly £3.50 a week, and those earning £15,000 would repay £8.65 a week; however, from April 2005, these graduates will not repay anything until their earnings rise above £15,000. A graduate earning £20,000 will pay £8.65 a week, instead of £17 a week before the change.

**Table 6.1**

**The Effect of 2005 Change in Repayment Threshold on Loan Repayments**

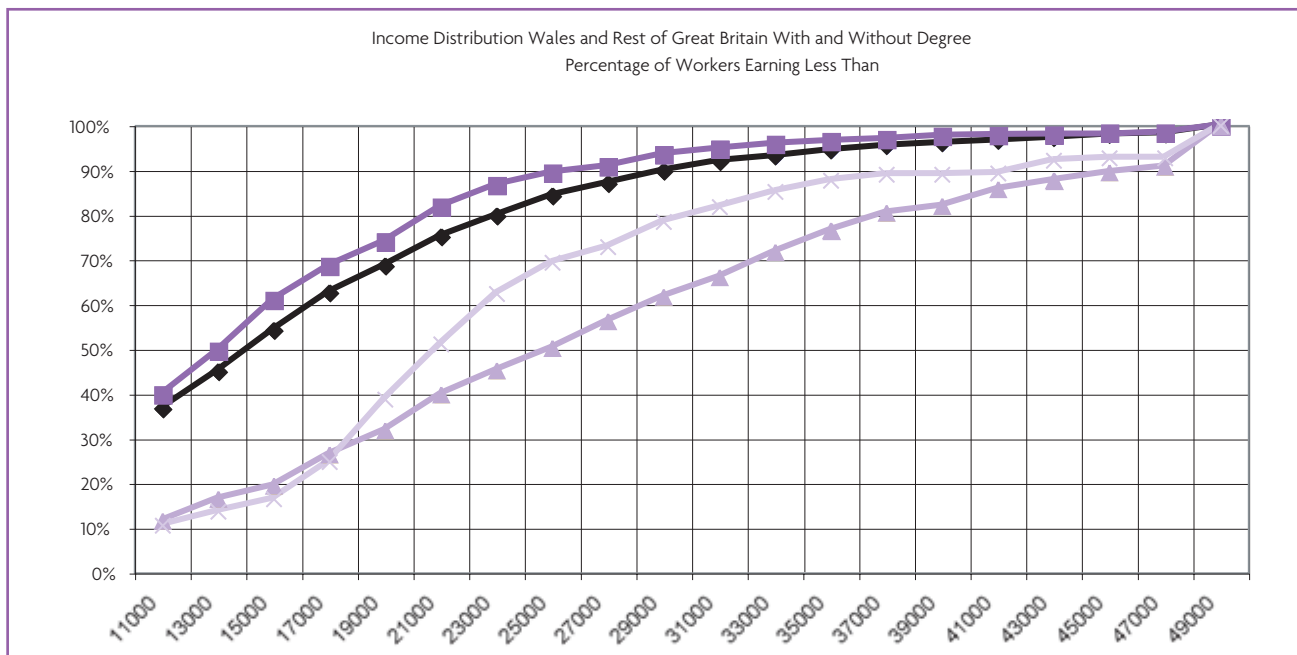
Graduate's annual salary	Graduate's weekly income (gross)	Weekly repayments before 6 April 2005	Weekly repayments after 6 April 2005
£12,000	£231	£3.46	£0
£15,000	£288	£8.65	£0
£18,000	£346	£13.85	£5.19
£20,000	£385	£17.31	£8.65
£30,000	£577	£34.62	£25.96

Source: Calculated for the Review Group, using information from SLC and Inland Revenue, Student Loan Deduction Tables (from 6 April 2005).

**6.4.19** The following Figure, which is based on the latest version of the British Household Panel Survey (which has a boosted Welsh sample), compares the income distribution of graduates and non-graduates in Wales and the rest of Great Britain. From this data we can conclude that in 2002/3 less than 20 per cent of graduates in Wales and the rest of Great Britain earned less than the new repayment threshold of £15,000. The proportion of non-graduates earning below the threshold was around 55% in the rest of Great Britain, and 60% in Wales. This provides further evidence of a significant graduate premium in Wales. Nevertheless, 50 per cent of graduates in Wales earn less than £21,000; at this level of earnings, a graduate would repay £10.38 a week.

**Figure 6.1**

**Income Distribution: Percentage of Workers in Wales and Rest of Great Britain with and without Degrees, Earning less than Certain Thresholds**



Source: Calculated from British Household Panel Survey data, 2002/3

**6.4.20** However, the Group is concerned that the threshold is still lower than the recommendation of the first Rees Review, which recommended that the threshold should be raised from £10,000 to £17,000, to reflect the average starting salary of graduates.

**6.4.21** The Group recommends that the Assembly should keep the level of threshold under review, and make representations to the UK Government, which makes the regulations on this, to increase the threshold to a level that more closely reflects the average starting salaries of graduates. The justification, put forward during the debates on the *HE Act 2004*, for graduates to contribute to the costs of their HE by means of deferred fees payable after graduation, is that HE is a profitable private investment, and that graduates will enjoy the benefits of higher earnings through a graduate premium.

Members of the Group were concerned that if the repayment threshold is too low, graduates will have to begin to repay loans before they gain any financial benefit.

#### *Means-testing of access to grants and maintenance loans*

**6.4.22** The means-testing system used by the DfES was, and still is, arguably, fundamentally flawed in that it uses an imperfect measure of families' ability to pay, namely "residual income". Moreover, only a small percentage (25%) of the access to maintenance loans in England and Wales is in fact means-tested.

**6.4.23** Residual income, it can be argued, is a poor indicator of ability to pay for a number of reasons. It is based on taxable gross income, whereas families' contributions to support have to be paid out of after-tax income; and income from tax-free sources, such as Individual Savings Accounts and some National Savings products is disregarded. Unlike many other countries' student support systems, it also ignores the existence of wealth. We recommend, therefore, that the WAG investigate ways of making the means-testing of grants and loans more closely related to families' true ability to pay.

**6.4.24** At present in England and Wales in 2004/5, irrespective of family income, the student can access 75% of the full loan amount e.g. £3,070 of the rate of £4095 for students living away from the parental home elsewhere than in London. From evidence submitted to the first Rees Review, we found that some students from higher income backgrounds who did not need to borrow were taking out the maximum loan at a zero real rate of interest and investing it to get a higher rate of return. Indeed a popular guide to student finances encourages this very thing. We do not believe that this is a productive use of public money and suggest that in a similar way to Scotland, (where 80% of the loan is means-tested), the means-tested element of the student loan could be increased to 75% rather than the present 25%. Students from some families would find that their access to subsidised maintenance loans would be partially or totally removed, although they would still have unrestricted access to fee loans of up to £3,000 a year. Moreover, they would be partially, if not totally, compensated if they studied at a Welsh HEI, with the non means-tested bursary, while their families would be better off by no longer having to pay the up-front tuition fee of £1,200 per year.

**6.4.25** Taken together, these measures would not only make the system fairer but would also reduce the cost of the student support system, savings which could be used to finance some of our other recommendations.

#### 6.4.26 Composite recommendations on implementation of student support:

##### *Recommendation 11 The implementation of student support systems*

We recommend that the Assembly Government, in implementing the system of student support, ensures that it is flexible and fair by:

- equality proofing rigorously, paying careful attention to the interface between the system of support and disabled students' allowances;
- exploring with HEIs and relevant partners innovative approaches to addressing transport needs and caring responsibilities of students;
- requesting that HEIs review their plans for teaching through the medium of Welsh, in conjunction with HEFCW's Steering Group for Welsh Medium Provision, acknowledging a shared responsibility to offer some linguistic choice to students, to provide graduates with bilingual skills as required by the labour market in Wales and to foster a bilingual Wales. This will continue in the HE sector the work done at the primary and secondary education levels to promote both English and Welsh learning;
- ensuring the system of support for students addresses better the needs of students estranged from their parents, for whatever reason;
- providing simplicity and transparency in the design, dissemination and delivery of student support systems, particularly for part time students;
- ensuring that from 2006/7, all students (full or part time) that have not previously taken a degree or equivalent qualification and are normally resident in Wales be entitled to an appropriate level of support equivalent to the duration of their course plus one additional year if required, regardless of any break in the period of study. Existing provisions which allow further support for those unable to complete their course within this period for compelling personal reasons should be retained; and
- improving the system of means-testing, and monitoring the effects of thresholds, to ensure money is more effectively targeted on the most needy students.

## 6.5 Access to information on HE and student support

**6.5.1** Potential students need up to date, easy to access, information and advice on what to study, where, and what it will cost them. This is a clear message that has come from our consultation exercise, both from students themselves and from those that advise them. Without this information, students are in effect being asked to take financial risks, in the context of much contested debates on debt aversion and the graduate premium, as well as uncertainty about fees. Even if some of the pitfalls of the English competitive system of bursaries, fee discounts and scholarships are avoided through a National Bursary Scheme, it is clear that potential students need to know, before they apply, the financial implications, for themselves and their families or sponsors, of pursuing a course in HE. We have consistently heard from students that student support systems should be clear, simple and transparent. We are also aware that at the moment, students are being asked to enter HE without being entirely sure of the financial implications. While not wishing to underestimate the problems of student debt, the 'noise' around the issue can put off those very students from



disadvantaged socio-economic backgrounds that student support systems are being especially designed to protect. Hence, it is essential to have an accessible means through which potential students can find out, in advance, the cost of studying to them, as individuals, the support that will be available, including loans and the future implications of loans and debt management support available through the SLC etc.

**6.5.2** We have therefore developed two recommendations designed to meet this need on an all-Wales basis. The first is a high-tech solution, involving the development of a user-friendly online system utilising the latest rich media capabilities that broadband technologies permit. The service would provide information for students and advisers on HE courses in Wales, the level of fees and types and levels of student support, in the form of interactive film that can be used to provide tailor-made information. It is inspired by the Careers Wales online portal, but capitalises upon technology in an early stage of development by providing a more interactive and tailor-made service. The second is a recommendation concerning a publicity campaign for the new system of student support.

**6.5.3** New technologies currently being developed include rich media environments. This technology could be applied to meet the needs of students and careers teachers, LEA advisers and others. In this environment, potential students could find out what courses are available in Wales, and where, in both FE and HE, on a full or part time basis, and could get information on fees, how to apply to HE courses and how to access advice. They could also access software on means-testing which would calculate what student support would be available to them. Students could not only make use of an expense calculator but also receive visual instruction on how to complete the exercise. The factors to be included in a calculation of costs and potential income for a student at each Welsh HEI are varied and complex. Students would therefore need help in data input, but online capabilities mean that the potential student could be guided through the process of making applications on a question by question basis, much as insurance applications do already, but with significantly greater online support. The same system could provide information about average salary levels in different jobs and show what it would cost, on a weekly or monthly basis, to repay a student loan, on the basis of different levels of income. Such an integrated system would be a valuable source of information and advice for potential students. Some of this information is available now; for example the SLC website shows examples of annual and monthly loan repayments for different levels of income. The unique features of the system we are proposing are, first, that it would bring together in a single site, on an all-Wales basis, a great variety of information that is now available only in a fragmented way; second, it would be presented in a user-friendly format, using interactive technology, to provide individual tailor made information for students, and last, but perhaps most important, it could tap into other initiatives such as the Communities@one project (discussed below), which are targeted on the most disadvantaged areas<sup>29</sup>.

**6.5.4** We have also been told how difficult and complex it is for those who advise potential students on student support, in schools, colleges and local authorities to ensure they have an accurate understanding of the complexities of what is available and to whom, especially when these can change on an annual basis. It is especially challenging to ensure that advisers are aware of the special provisions, for example, for students with disabilities or childcare

responsibilities, and the interface between student support and disability allowances. Such 'gatekeepers' need an easily accessible resource to assist them in giving accurate information and advice.

**6.5.5** Our proposal then, is for an interactive 'rich media' environment which could be provided through broadband throughout Wales and offered as a free service to potential students, careers advisers and student support advisers. The WAG has already invested in high bandwidth connectivity to schools throughout Wales. It is also in the process of investing in ICT capabilities in the most socially deprived or Community First areas, through the Communities@one project, which will mean that hardware and 'community co-ordinators', responsible for encouraging wider use of new technologies, will be more widely available in these areas. Other outlets where potential students and advisers could access the environment, apart from home broadband, include careers offices, JobCentres Plus, reception areas for asylum seekers, libraries, FE colleges, local authorities, and prisons.

**6.5.6** In the first instance, a working group of partners would need to be set up to explore the feasibility of this idea. Such partners would include representatives from the Assembly, Careers Wales, ELWa, HEFCW, the HEIs and FEIs in Wales, schools, local authorities and the Student Loans Company. All these partners would benefit from potential students and advisers being well informed and in our view should invest in the development of the system, both financially and through providing information. A scoping exercise, followed, if appropriate, by a feasibility trial with built-in evaluation should establish the effectiveness of the idea. The partners would benefit from input and advice from the Communities@one project, given the Assembly's desire to increase participation in HE from these communities.

**6.5.7** Providers of broadband, software development and film-makers would also be needed either as partners or as a resource to the Group to help explore the feasibility of the technical aspects of the proposal.

**6.5.8** Our initial enquiries to providers suggest that a scoping study and feasibility trial would cost about £200,000. This would include consultation, filming and developing the content, software development, and setting up and evaluation.

**6.5.9** The website could include information on HEIs and student support. On HEIs, material would include:

- 'video prospectuses' of the HEIs in Wales
- details of courses and fees to be charged
- recorded interviews with existing students about their experience
- information about employment opportunities for students at the university
- the timetable of admissions, when applications have to be made
- an online video recording of an adviser on how to make an application, talking through the UCAS form question by question so that the support can be queried/searched and tagged for access.

**6.5.10** On student support: material would include:

- the timetable for making and hearing about applications for student support
- fee loans
- maintenance loans
- maintenance and other grants
- Financial Contingency Funds
- Careers Wales
- the Student Loan Company
- online software to calculate eligibility for student support
- online software to calculate income-contingent loan repayments at different income levels (this is already available on-line, on the Inland Revenue web-site; all that would be required is a suitable link.

**6.5.11** The purpose of this proposal is to ensure potential students and their advisers have access to accurate, up to date, easy to understand and simple information to enable them to make informed decisions about whether to enter HE and if so, what it will cost them and whether it is affordable. We feel that this would be especially beneficial for enabling the 'debt averse' to make informed decisions. It would need to be provided free at the point of access, but given the benefits to the sector, it would be a cost-effective method of ensuring universal dissemination of accurate information. Of course not every potential student is able to access broadband or to use a facility such as this, which is why it is essential that advisers can access it and act as 'chauffeurs' through the system or inform their own advice with tailor-made information. The current burden faced by schools careers teachers and LEA student support officers in keeping up with changes in systems and providing tailor-made advice and information has been described forcibly to us. We feel that this proposal would meet these needs and be cost effective.

**6.5.12** In the first instance the interactive site should be designed to cover only Welsh HEIs and student support available to Welsh domiciled students. Wales is a cost-effective scale to explore the idea, especially as our recommendations propose keeping the student support system as simple as possible through a National Bursary Scheme. If successful, the project could be scaled up to allow potential students from elsewhere in the UK to explore provision and support available to them if they applied to a Welsh HEI. Eventually, access could be available through broadband worldwide, which would be a useful tool for encouraging overseas students to come and study in Wales. This would supplement Welsh HEIs' own marketing, but would be a cost-effective all-Wales initiative to boost interest in and knowledge about studying in Wales. There is also the potential to analyse the data provided in the student expense calculations, *Data Protection Act* permitting, to explore trends in student demand to establish to what extent debt perception affects participation in HE amongst Welsh communities.

**6.5.13** We believe this recommendation represents considerable saving to the public purse (compared with the financial investment English universities are having to make on an individual HEI basis) in disseminating information that allows potential students to make choices. It also ensures accurate informed choices. It should hopefully reduce debt aversion to some extent and can be used to target Community First areas.

**6.5.14** Our second recommendation is about the need for a publicity campaign to launch the new student support package. We were struck in our research how much more work needs to be done to publicise the ALG. We are also aware that many potential students and their families are not aware that up front fees have been abolished and replaced by income contingent graduate payments.

**6.5.15** Recommendations on access to information on HE and student support

***Recommendation 12 Rich media information and advice system on HE and student support***

We recommend that the WAG set up a working group of partners, including Careers Wales and a telecom provider, to scope, and if appropriate, undertake a feasibility trial of a state of the art broadband based 'rich media' environment to provide information and advice on HEIs in Wales and on student support for potential students and advisers to enable them to keep up to date on changes. The technology could provide customised information and advice for potential students, with help in feeding in information. It could also be used to provide training, which could be credentialised, for careers advice and guidance providers. This work builds upon the portal being developed by Careers Wales, but takes it to the next stage of technological capacity currently being developed. It also capitalises on the WAG's investment in bringing broadband to Community First areas. This scoping study and feasibility phase is likely to cost about £200,000, which WAG and the partners should provide.

***Recommendation 13 Publicising the student support package***

We recommend an intensive multi-media publicity campaign to advertise the ALG, the FCF, NBS and other elements of the new student support package, especially in the FE sector. In particular, for full time students, the message needs to be conveyed that up front fees have been abolished, that graduates earning more than a certain amount pay the fees retrospectively, and that payments are dependent on a graduate's income. Examples of the loan repayment rate linked to income level should be provided in the publicity.

## **6.6 Monitoring and Review**

**6.6.1** It is essential that statistical monitoring, review, evaluation and research be used as management tools to ensure that the new system of student support is working effectively and fairly. In particular, it is necessary to ensure public resource is targeting need effectively and producing results. We therefore make a package of recommendations designed to ensure an evidence-based approach is taken to system review.

## 6.6.2 Composite recommendation on monitoring and review

### ***Recommendation 14 Monitoring, review, evaluation and research:***

Significant changes are taking place in HE funding and student support in the UK. A sound statistical base is needed as a management tool, alongside focused research projects, to enable the WAG to evaluate the effects and impact of policies and their implementation and to maximise opportunities to respond flexibly and with agility to new challenges. This is particularly the case as decisions made by DfES can have significant effects in Wales, given the relative size of the two countries. We therefore recommend a commitment is made to annual expenditure to ensure monitoring, evaluation and research based assessment of the implementation and delivery of the new funding and student support system in the context of a changeable UK and EU policy framework. More specifically, we recommend;

- the measurement and monitoring of the public contribution to HE. It is important to guard against fee income being used to substitute for public investment. In England, a measure is already being used to calculate the real term unit of funding for teaching as variable fees are introduced. We recommend a comparable measure in Wales so that we can (i) ensure the unit of funding is sustained in the face of any expansion in the number of students (ii) benchmark against England and (iii) be able to market HE in Wales to students by demonstrating transparency of investment;
- the publication of annual statistics on the take up of all the different elements of the new student support system, including ALGs, FCFs and National Bursaries, by FE/HE, PT/FT status, local authority, the statutory equality dimensions and household income. They should be analysed and used as a management tool to monitor trends and distributional impact. These data are designed to be helpful in evaluating to what extent measures are targeting those in need and changing behaviour;
- after three years, there should be a review of the student support systems to identify strengths and weaknesses and identify areas for improvement;
- WAG should consider boosting the Welsh sample of relevant UK/GB national sample surveys (such as the Labour Force Survey) in order to allow more detailed analysis of the situation in Wales and to allow better comparisons to be made with other parts of the UK on education, skills and employment data;
- that WAG scopes and develops enhanced background data for individual students, to be used in an anonymised form to help evaluate measures designed to promote access. This has been discussed in Wales, and was a recommendation in the previous Rees Review. It is being developed currently in Scotland. In Wales the National Pupil Database of Unique Pupil Numbers, scheduled to be launched in Autumn 2005, is being developed for pre-16s in schools by the Local Government Data Unit for WAG and will provide one source for educational data. There is also some data in the Lifelong Learning Wales Record held by ELWa. However, there is no post-16 identifier covering the whole FE/HE sector. Clearly there are data protection issues to be explored;

- WAG commissions a study of 15-year-olds in schools and colleges to complement the commissioned research on attitudes to HE. It is at this age that students decide whether or not to proceed to post-compulsory education or training. This would facilitate a better understanding of patterns of participation;
- WAG commissions a research project exploring how FE colleges and HEIs manage the FCF, and the pattern of claims made and awarded, in order to benchmark good practice and provide advice on how to target need more effectively;
- WAG commissions research on the needs and experiences of mature-aged students in HE in order to inform future policy, including an exploration of mature students' attitudes to debt and the graduate premium;
- WAG commissions research on widening access and increasing participation schemes, incorporating qualitative research to examine the effect that they are having on potential students and to explore the extent to which existing access schemes are successful in making a difference. The research should pay attention to the issue of drop out and retention.

## 6.7 Other recommendations

**6.7.1** Our penultimate recommendation relates to encouraging HEIs to do all they can to ensure that they are making full use of other potential sources of funding. While we remain well aware that the impact that these sources can have on the HE sector funding gap is marginal, HEIs can improve their individual resources.

### *Recommendation 15 Other sources of funding*

We recommend that HEIs pursue more vigorously other sources of funding, such as research contracts and grants, alumni and other donations, full cost fees from overseas students and from employers for courses for professional development, and partnerships with industry, business and other public or private sector employers.

**6.7.2** Finally, we are concerned that the post devolution HE strategic framework at UK level does not work as well as it should and make recommendations of ways in which it might be improved.

### *Recommendation 16 Post-devolution strategy framework*

We recommend the establishment of a post-devolution strategy framework that allows for long-term planning of future policy. Although outside our remit, we recommend that further attention be given to the role of the existing Joint Ministerial Committee, not only in Wales but also at a wider UK level. To make a success of devolution it is essential that a robust framework be in place to facilitate speedy informational flow and to provide advanced warning from DfES of major policy changes in England. There is, therefore, a need to ensure that the Joint Ministerial Committee meets regularly, is an effective tool for dealing with UK and international issues, and should be underpinned by similar arrangements for senior civil servants.

**6.7.3** The next section focuses upon part time students and our recommendations regarding them.





## 7. Part time students in Higher Education in Wales

### 7.1 Introduction

**7.1.1** This section considers part time students within HE in Wales, and the funding of HEIs for part time provision. The possible effects of any changes to the tuition fee and student support systems on HEIs that offer part time courses, and students themselves who study on a part time basis were central to our deliberations. They also presented us with some of our biggest challenges. This issue is far more complex than is often thought. In order to set out the nature of the challenge we faced, we rehearse here - in summary - some of the key features of policy, provision and funding as regards part time provision in Welsh HE. We also identify some of the challenges, especially the absence of firm data, in seeking to find equitable solutions for those who wish to study on a part time basis and for HEIs engaged in part time provision.

### 7.2 The policy context

**7.2.1** Part time undergraduate provision in HE in Wales includes continuous professional development courses (for which employers sometimes often pay fees), community-based provision, and distance learning opportunities. A substantial proportion of HE provision in FE is also part time.

**7.2.2** For many students, especially those of mature age, part time provision is their only way of accessing HE. Many HEIs - often in partnership with other HEIs, and FE and community partners - are engaged in community-based part time provision, which is both innovative and successful, and forms part of their widening participation strategies. Some of these initiatives, such as the Community University of the Valleys, and the Community University of North Wales, are widely regarded as representing some of the best practice in this kind of work and contributes to the WAG's policy of attracting more entrants to HE from *Communities First* wards. A relatively small, but nonetheless important part of this work is non award-bearing provision, specifically designed to provide a 'first-point' entry route to HE for currently under-represented groups.

**7.2.3** In the area of widening participation, part time higher education provision cuts across a number of policy-areas and goals of the Assembly in addition to education and lifelong learning. These include community regeneration, economic development and health.

**7.2.4** Part time learning is a substantial and important but highly diverse component of the HE sector in Wales. That diversity is manifested in the patterns of study by the kinds of students and the amount and type of provision.

**7.2.5** Institutions are funded by a combination of public and private sources for part time undergraduate provision: they already charge part time students upfront variable fees and receive recurrent public funding from HEFCW. Whilst there is no maximum fee level that can be charged (unlike full time provision), many HEIs keep fees for part timers at a pro rata level commensurate with full time fees, or even lower, in order to attract students. The Funding Council allocates funding to HEIs for both full and part time students using a formula based on credit values. In some cases, employers 'buy in' provision from HEIs, and pays students' fees.

**7.2.6** In a HE system in which undergraduate learning is modular and in which credit transfer is the norm - it should be noted here that Wales has been at the forefront of the latter development - the demarcation between full time and part time modes of study becomes increasingly anachronistic. The trajectory of HE policy in Wales and elsewhere is towards an over-arching policy context of lifelong learning in which HE, whilst remaining important for many at the age of eighteen, becomes for others something to be experienced at various stages in life, sometimes alongside work or during a career break - whether voluntary or enforced.

**7.2.7** For those who do enrol and study on a full time basis (usually at the age of eighteen or nineteen), even here the idea of 'full time' can be more notional than actual. For example, a full time student at age 18 may work 20 hours per week to supplement his or her income. Some full time students opt to study a lower level of credits in some years, or opt to take slightly longer to complete their degree - for financial or other reasons. Such students may be studying courses alongside part time students that carry a similar volume of credit, and may also be working part time or full time. Thus the dividing line between full and part time is becoming increasingly blurred in a number of ways.

**7.2.8** However, there exist at present separate tuition fee and student support systems for part time students, and the new arrangements for England do not bring part time students into line with full time students on a pro rata basis. In considering this issue, therefore, whilst recognising that there may well be merits in 'mode-free' fee and student support systems, we recognise also that we must start from where we are and seek to develop systems which are practicable and build upon, rather than jeopardise existing provision.

### **7.3 Numbers of enrolments and FTEs**

**7.3.1** Statistics obtained from the Higher Education Statistics Agency (HESA) show that in 2003/4, there were 41,600 undergraduate students studying on a part time basis in Welsh HEIs, including 5,920 Welsh-domiciled students studying with the Open University. These represent 40% of all undergraduate students in Wales - a higher percentage than that which pertains in England. When this figure is converted to an FTE figure, it totals 13,106 (see Tables 7.1 & 7.2).

**Table 7.1****All Undergraduate students enrolled at Welsh HEIs by mode of study 2003/4**

<b>All undergraduate students enrolled at Welsh HEIs by mode of study, 2003/04 (a)</b>					
	<b>Full-time &amp; Sandwich</b>	<b>Part time</b>	<b>Other</b>	<b>All</b>	<b>Part time students as % of all students</b>
The Open University	*	5,920	*	5,920	100
University of Wales College, Newport	2,570	4,660	*	7,235	64
The North-East Wales Institute of Higher Education	2,705	2,410	*	5,115	47
University of Wales Institute, Cardiff	6,100	1,325	30	7,455	18
University of Glamorgan	9,740	7,510	*	17,255	44
Swansea Institute of Higher Education	3,225	1,650	*	4,875	34
Trinity College, Carmarthen	1,165	540	*	1,705	32
The University of Wales, Lampeter	920	5,655	*	6,580	86
University of Wales, Aberystwyth	6,080	2,005	*	8,085	25
University of Wales, Bangor	5,630	2,125	*	7,755	27
Cardiff University	13,275	4,185	*	17,460	24
University of Wales, Swansea	8,070	3,365	*	11,430	29
University of Wales College of Medicine	2,425	250	5	2,680	9
Royal Welsh College of Music and Drama	440	*	*	440	-
All	62,350	41,600	40	103,990	40%

Source: HESA Student Records

Notes: (a) All year count of enrolments. Other includes students writing up and on sabbatical. Enrolments rounded to nearest 5. Less than 3 represented by \*. Percentages less than 0.5% represented by -.

**7.3.2** Approximately 70% of HE enrolments delivered by franchise arrangements in FE colleges in Wales are part time.

**7.3.3** For almost all HEIs in Wales part time provision is an important part of their core activity, not least in the area of widening participation. The University of Wales Lampeter has a very high proportion of part time enrolments, many being distance learners. Just under 50% of enrolments at NEWI are part time while University of Wales Newport has three times as many part time student enrolments as full time.

**Table 7.2****Numbers of part time undergraduate students expressed as FTEs 2003/4**

	<b>P/T FTEs</b>	<b>P/time FTEs as % of all FTEs</b>
The Open University	2324	100
University of Wales Newport	2382	49
NEWI	1025	28
UWIC	638	10
University of Glamorgan	2301	20
Swansea Institute of HE	826	21
Trinity College Carmarthen	133	15
University of Wales Lampeter	704	44
University of Wales Aberystwyth	397	6
University of Wales Bangor	633	11
Cardiff University	826	6
University of Wales Swansea	794	9
University of Wales College of Medicine	124	6
Royal Welsh College of Music and Drama	-	0
All	13,106	18%

Source: HESA

Figures for FTEs rounded to nearest whole number

**7.3.4** It should be noted, however, that, with the exception of the Open University (where all undergraduates are part time), there is an inevitable drop in the proportions of part time provision when it is calculated on a FTE basis (see Table 7.2). However, it was pointed out to us by a number of stakeholders that there are costs incurred for student support measures and some developmental work, particularly in widening access provision, when the total numbers of students needs to be taken into consideration, as well as the FTE figures. The Funding Councils in England and Scotland each pay an additional premium in respect of part time students, but this is not the case in Wales. However, HEFCW does pay additional premia to HEIs on a per capita basis, for widening access, for Welsh medium provision, and for disabled students. We note that HEFCW has recently commissioned consultants to undertake an analysis of the costs of widening participation following a similar study for HEFCE.<sup>30</sup> We hope the analysis in Wales would consider any differences in costs in widening participation between full and part time provision.

**7.3.5** Some 83% of part time student enrolments are Welsh domiciles, but patterns vary across the HEIs. Over half of the part time enrolments at University of Wales Lampeter are non-Welsh domiciles; NEWI, Aberystwyth and Bangor also have significant numbers of non-Welsh domiciles (see Table 7.3).

**7.3.6** It is sometimes assumed that most part time students have their fees paid by employers or some other body, but this is not the case. Table 7.4 shows that, in 2003/4, 24,620 (59%) receive no award or financial backing; and a further 6,300 have their fees waived or pay no fees, together totalling 30,920 (74%). Employers paid the fees of 4,825 students (12%), and a further 4,975 (12%) had their fees paid by a government department or other body.

**7.3.7** One of the difficulties that we faced in considering the issue of part time learners was the lack of comprehensive data, especially on part time fees across the various HEIs. Much of the data are collected on the basis of enrolments, rather than students. One student may enrol three times for three separate short courses. This made it difficult to model the proposals we received from stakeholders - discussed below - in a robust manner. There were merits in a number of these proposals but also potential problems. We are reluctant to recommend or reject them without further research on feasibility and affordability.

**7.3.8** There is a further data gap on the nature of the part time student body, and insufficient evidence on demand for part time study - particularly amongst non-participants - and attitudes towards payment methods (e.g. 'up-front' versus deferred payment). It is difficult to speak of part timers as a coherent and homogeneous group, given their considerable diversity, not least in respect of income and social background. Research carried out in 2004 for DfES on part time students, whilst containing useful background material for our deliberations, did not include a Welsh HEI in its sampling.<sup>31</sup> Its findings, when set against data we have obtained from HESA, suggest that patterns of recruitment of part timers in Wales diverge to some extent from those in England.

**Table 7.3**

**Domicility of part time undergraduate students 2003/4**

	Rest of UK	Welsh	Other overseas	Rest of EU		% Non-Welsh
	Enrolment count	Enrolment count	Enrolment count	Enrolment count	Enrolment count	
The Open University	-	100%	-	-	100%	-
University of Wales College, Newport	11%	88%	1%	1%	100%	12%
The North-East Wales Institute of Higher Education	19%	62%	1%	19%	100%	38%
University of Wales Institute, Cardiff	5%	94%	-	1%	100%	6%
University of Glamorgan	6%	92%	1%	2%	100%	8%
Swansea Institute of Higher Education	6%	92%	1%	1%	100%	8%
Trinity College, Carmarthen	1%	99%	-	-	100%	1%
The University of Wales, Lampeter	56%	39%	1%	3%	100%	61%
University of Wales, Aberystwyth	18%	76%	3%	3%	100%	24%
University of Wales, Bangor	23%	77%	-	1%	100%	23%
Cardiff University	5%	95%	-	-	100%	5%
University of Wales, Swansea	6%	94%	1%	-	100%	6%
University of Wales College of Medicine	6%	94%	-	-	100%	6%
All	14%	83%	1%	2%	100%	17%

Source: HESA Student Record

Note: (a) All year count of enrolments. Enrolments rounded to nearest 5. Less than 3 represented by \*. Percentages less than 0.5% represented by -.

Table 7.4

## Main Source of Tuition fees for part time undergraduate students by institution

Main Source of tuition fees for part time undergraduate students by institution, 2003/4		All	Not known	No fees	Other	Student's employer	UK industry/commerce.	Mix of student and SLC (following assessment by English or Welsh LEA or DfEE for EU students studying in England).	EU Commission	Other HM govt depts/public bodies.	DfES.	Depts of Social Services	Depts of Health/NHS/Social Care.	Fee waiver under government unemployed students scheme	Local Government - Channel Islands and Isle of Man/Scottish FE Bursaries	Institutional waiver of support costs.	Award assessed by English or Welsh LEA and paid in full by LEA or by the SLC (includes EU students assessed by DfES).	No award or financial backing.	
The Open University in Wales		5,920	*	*	*	575	*	*	*	*	*	*	*	*	*	*	*	*	5,345
University of Wales College, Newport		4,660	*	*	20	1,785	*	*	*	*	*	*	*	360	*	75	985	1,435	
The North-East Wales Institute of Higher Education		2,410	*	425	*	470	*	15	*	30	5	*	*	30	*	10	15	1,410	
University of Wales Institute, Cardiff		1,325	*	20	5	475	*	*	15	*	*	*	*	*	*	75	45	690	
University of Glamorgan		7,510	10	4,805	685	570	*	*	5	160	*	*	435	5	*	115	*	715	
Swansea Institute of Higher Education		1,650	*	*	*	795	*	*	*	*	*	*	*	95	5	205	*	545	
Trinity College, Carmarthen		540	*	*	*	*	*	15	*	*	*	*	*	*	*	*	70	455	
The University of Wales, Lampeter		5,655	155	45	430	5	*	*	75	*	*	*	*	*	*	180	5	4,760	
University of Wales, Aberystwyth		2,005	*	230	*	*	*	*	*	*	*	*	*	*	*	*	5	1,770	
University of Wales, Bangor		2,125	*	*	640	*	*	10	*	*	*	*	80	*	*	15	*	1,380	
Cardiff University		4,185	*	*	*	*	*	*	*	*	*	*	*	*	*	*	10	4,175	
University of Wales, Swansea		3,365	*	*	90	135	*	*	*	75	*	*	810	290	*	20	*	1,935	
University of Wales College of Medicine		250	*	*	*	15	*	*	*	60	*	5	145	*	*	*	15	5	
Total		41,600	170	5,530	1,870	4,825	5	40	90	330	5	5	1,470	785	5	690	1,150	24,620	

Source: HESA Student Record



**7.3.9** It would appear that concerns of this kind were a factor in the failure fully to deal with part time issues in the new English system created in large part by the HE Act 2004. We note that one consequence of this has been the research project on part time learners which has been set up by Universities UK - an acknowledgement from within the HE sector that there is a need for more evidence in this area that is derived from systematic research. An underpinning theme of our recommendations in this area is to call for more research, but within an overarching desire to develop systems of fees and student support for part time students which are transparent, fit for purpose and give most support to those most in need.

## **7.4 Fees and student support**

**7.4.1** There is already variability in levels of tuition fees charged for part time students. We are unable to obtain comprehensive data on fee levels on an all-Wales basis, but they tend to range between 50% of a normal full time fee of about £1,200 in cases where a part time student is studying at 60 credits per year on a part time degree scheme (i.e. 50% of the credit load of a full time student), to far lower fees for shorter courses. Individual HEIs operate various fee remission schemes for different categories of student, and, in some cases, waive fees altogether.

**7.4.2** In addition to these individual fee remission schemes of individual HEIs, there is a successful HEFCW administered fee waiver scheme for part time students in receipt of certain benefits. The HEI is compensated to the amount of the fee for that course. We heard from a number of stakeholders that this scheme works well, and should be extended. The number of students granted such a waiver in 2003/4 was 1,677; the amount of total fees waived was £542,887 (see Tables 7.5a and 7.5b). We understand that in Wales, the fee waiver scheme will continue for the time being to operate alongside the new fee grant arrangements described below; however, in England the scheme is likely to be phased out.

**7.4.3** Changes arising out of the new arrangements in England and which apply for students in England and Wales offer a means-tested fee grant of up to £885 per year if the course is equivalent to 75% or more of a full time course of study (i.e. 120 credits). For a course equivalent to 60% to 74% of the full time course, the amount of fee grant is £710; and for a course equivalent to 50% to 59% of the full time course the fee grant is £590. It will be clear that this support does not correlate, in pro rata terms, with many existing fee levels, still less fee levels deriving from a £3,000 fee for full time students. Below that volume of credit, there is no assistance with fees, other than the relatively tightly circumscribed fee waiver schemes.

Table 7.5a

HEFCW Fee Waiver Scheme 2003-2004: Fees waived and numbers of students, by gender, age and HEI

Institution	Total number of students	Number of Mature Students	%	Number of Female Students	%	Number of Male Students	%	Total amount of fees waived (£)
University of Glamorgan	216	190	<b>88</b>	138	<b>64</b>	78	<b>36</b>	88,147
UW Aberystwyth	115	113	<b>98</b>	85	<b>74</b>	30	<b>26</b>	25,503
UW Bangor	131	129	<b>98</b>	85	<b>65</b>	46	<b>35</b>	41,940
Cardiff University	178	156	<b>88</b>	104	<b>58</b>	74	<b>42</b>	29,696
UW Lampeter	181	167	<b>92</b>	128	<b>71</b>	53	<b>29</b>	73,352
UW Swansea	261	251	<b>96</b>	171	<b>66</b>	90	<b>34</b>	62,905
UWIC	114	100	<b>88</b>	70	<b>61</b>	44	<b>39</b>	64,202
UW Newport	246	233	<b>95</b>	180	<b>73</b>	66	<b>27</b>	66,982
NEWI	31	30	<b>97</b>	26	<b>84</b>	5	<b>16</b>	16,250
SIHE	97	89	<b>92</b>	78	<b>80</b>	19	<b>20</b>	32,705
Trinity College Carmarthen	65	52	<b>80</b>	45	<b>69</b>	20	<b>31</b>	17,822
Bridgend College	1	1	<b>100</b>	1	<b>100</b>	0	<b>0</b>	132
Coleg Sir Gar	20	19	<b>95</b>	15	<b>75</b>	5	<b>25</b>	12,851
Coleg Llandrillo	18	17	<b>94</b>	9	<b>50</b>	9	<b>50</b>	8,880
Coleg Menai	2	2	<b>100</b>	0	<b>0</b>	2	<b>100</b>	1,070
Coleg Morgannwg	1	0	<b>0</b>	1	<b>100</b>	0	<b>0</b>	450
Total	1,677	1,549	<b>92</b>	1,136	<b>68</b>	541	<b>32</b>	542,887

**Table 7.5b****HEFCW Fee Waiver Scheme: Number of students by eligibility**

<b>Criteria of Eligibility</b>	<b>Number of Students</b>	<b>%</b>
Jobseekers' Allowance	242	14.43
Income Support	546	32.56
Council Tax/Housing Benefit	142	8.47
Unspecified DWP Benefits	144	8.59
Pension	16	0.95
Low Income	185	11.03
Working Families Tax Credit	300	17.89
Disability Related Benefits	84	5.01
Discretion	18	1.07
<b>Total</b>	<b>1,677</b>	<b>100</b>

Source: HEFCW

**7.4.4** In the area of student support (although to some extent the distinction between fee support and maintenance support is rather blurred at part time level), part time students can access the ALG, on a pro rata basis, if they are studying 30 credits per year or more. In addition, from 2005/6 DfES has introduced a new course grant of up to £250 per year. Both the ALG, and the course grant are means tested, but at different thresholds. However, the £2,700 maintenance grant being made available to full time students is not being made available to part time students.

**7.4.5** The Table below sets out the maximum fee and course grant to which a student is entitled, depending on the intensity of their course.

**Table 7.6**

**Maximum Fee Grant and Course Grant available to undergraduate part time students**

**Equivalent to 50% to 59% of the full-time course**

Fee Grant	£590
Course Grant	£250
Total	<b>£840</b>

**Equivalent to 60% to 74% of the full-time course**

Fee Grant	£710
Course Grant	£250
Total	<b>£960</b>

**Equivalent to 75% or more of the full-time course**

Fee Grant	£885
Course Grant	£250
Total	<b>£1,135</b>

## **7.5 Possible solutions**

**7.5.1** At first sight, it may appear that any consideration of tuition fees and student support should ignore what is becoming an artificial distinction between full and part time provision. This view was put forward by a number of respondents to our consultation exercise, and indeed is the view, in principle, of many members of the Group. The logic of this position points to a simple policy of equity for part time learners, including the level of fee, calculated on a pro-rata basis, and deferred payment of fees.

**7.5.2** However, we quickly discovered that such a solution would constitute a very crude and potentially damaging solution for both HEIs and part time learners, particularly as regards fee levels. In fact, such a solution may well have the effect of jeopardising some of the existing, very successful part time provision. We reached this view for the following reasons.

**7.5.3** If the principle of fee variability for part time learners were retained, Welsh HEIs would, of course, be able to maintain fees at relatively low levels if they chose. But with increased fee revenue from full time students, there would inevitably be pressure for HEIs to increase part time fees due to the fixed costs of staff, library resources, buildings and so on. This would especially be the case in respect of those HEIs for which part time provision constitutes a significant part of their overall provision. Without additional income from fees, they would face problems in maintaining their position in comparison with similar HEIs whose main provision is full time. To put this another way, there would be an in-built disincentive to provide short courses with low fees, because the revenue gained would be so much less than an equivalent full time course. Either way, there is a clear threat to the widening participation strategies of the WAG and individual HEIs, where these include part time provision.

**7.5.4** An increase in fees across the board for part time provision would be likely to result in a very significant increase in fees for many short courses, which have often been kept at a lower level by Welsh HEIs than the pro-rata rate for full time courses. In many cases, the increase would be such that large parts of short course part time provision might simply wither on the vine, due to prohibitive costs to the student. The provision most at threat would be part time courses designed to promote access for mature-age learners, which are an important form of provision in some Welsh institutions, and which contribute to the widening participation agenda. This provision should be distinguished from short courses for continuing professional development, which often charge full-cost fees, usually paid by employers, and which may be a significant source of income in certain HEIs. This latter provision may well be able to sustain increases in fees.

**7.5.5** Should part time fees remain at a lower level than full time fees, there is a further risk - although it is difficult to assess how large - that full time students will seek to follow part time courses at the 'cheaper' rate, in order to reduce repayments after graduation. It may be possible to create rules that would somehow demarcate full and part time provision, at least for accounting purposes, but this would run against the grain of a credit-based system which is learner centred and mode free.

**7.5.6** No arrangements were made in the *HE Act* for deferred fees for part time learners in England, despite much debate on the matter. Thus there is no additional money coming into Wales, via the Barnett formula, to pay for fee loans for students, in order to allow for deferred payment of fees. So, to move to deferred payment would require additional financial resources to be invested by the National Assembly. If part time fee levels were raised significantly without a system of deferred payment - and with a full time fee level of £3,000, they could be at least doubled, depending on existing fees charged - this may constitute a huge deterrent for those whose preferred option is to study part time, and thus put at risk a significant proportion of the existing provision.

**7.5.7** If deferred payment were introduced across the board for part time study, there would almost certainly be substantial administrative costs. Many learners study just 10 or 20 credits in any one year, and may wish to 'exit' HE at certificate or diploma level (i.e. a level below that of graduation). Introducing mechanisms to recover deferred tuition fees in such cases may well prove prohibitive in terms of administrative workload and cost.

**7.5.8** It was put to us by a number of stakeholders, that a deferred payment system might be introduced for learners studying upwards of a certain credit threshold per year, (perhaps 30, 40, or 60 credits) on a scheme of study leading to a recognised qualification (see table 3). Thus they would pay on the same basis as for full time students. This has a logic and obvious merit, not least because, in the case of these particular students, it would remove the distinction between full and part time learners. But it should be noted that such a system, if the logic was followed through, could in some cases entail a doubling of course fees, if fees for a full time course were at the £3,000 per year level. It should be noted also that such a system would impose costs upon the WAG, as a system of fee loans for those students qualifying would be required. We believe that research is needed in order to assess costs and likely demand amongst students for changes along these lines.

**7.5.9** A considerable number of the stakeholders who responded to our consultation exercise advocated equality for part time students, but few addressed in a meaningful way the challenges - perhaps best described as a conundrum - which we have outlined here.

**7.5.10** There were other proposals put to us during our consultations with stakeholders. These included a system in which the HEFCW teaching grant was increased for the first 10 or 20 credits, thus reducing the course fee, and encouraging 'first-steps' into learning. This appeared a potentially attractive option, and we could see possible variants of this kind of system being developed. However, whilst not ruling it out, we were concerned about the potential heavy cost to the WAG in cases of students who 'drop out' at an early stage of studying.

**7.5.11** A further proposal put to us was to formalise a method of cross-subsidy from full time to some elements of part time study by 'top-slicing' tuition income from full time provision, and using this revenue to keep fees low for part time provision, particularly that which is aimed at widening participation. We could see how this might work in a HEI in which the vast majority of provision is full time, but which also performed important widening participation work in the area of part time provision (although it may not avoid the issue of full time students opting for part time course at the lower cost). But in cases in which a large proportion or a majority of the HEI's provision is part time, the income generated would almost certainly be insufficient to subsidise - to the desired extent - the far more substantial part time provision. We were mindful also that our National Bursary Scheme already involves a top-slicing element.

**7.5.12** Another proposal put to us was that the HEFCW fee waiver scheme should be extended. If there were an increase in part time fees, or an extension of eligibility, or both, there would naturally be an increased demand on HEFCW (and ultimately the WAG budget) to cover the cost.

**7.5.13** The new elements of fee grant and student support, combined with the existing ALG for part time students, represent an improved settlement. ALG support for part time learners was the result of a recommendation of the first Rees Review. However, we note that the combined support still involves an upfront payment of fees, and, should those fees rise, the level of support will not match the financial demands made on learners. This may apply particularly to those learners who are on low incomes, but who nevertheless do not qualify for the fee waiver scheme, or who do not take sufficient credits per year to qualify for the new fee grant support.

**7.5.14** Furthermore, as will surely be obvious from our description of the new system, the various types of support for part timers constitute a confusing and inconsistent system in their totality, with differing thresholds for volume of study, and levels of income. It does not pass our own test, outlined in our Guiding Principles, of the requirement for a system of student support that is 'clear, simple, comprehensive and consistent'.

## 7.6 Conclusions and recommendations

**7.6.1** The Group is in no doubt that part time provision plays an important role within HE in Wales. It contributes to the enhancing of employee skills for both private and public sectors; it provides opportunities for learning which enhance the wider civil and cultural life of Wales; and it contributes significantly to widening participation in HE, and to regeneration initiatives in some of our most disadvantaged communities. We believe that any new funding arrangements for HE, and student support systems, should enhance, rather than jeopardise existing successful part time provision.

**7.6.2** The Group made clear, in its Guiding Principles, that we seek a system of student support that gives parity of esteem for different modes of study. We drafted this carefully, so as not to force a template of absolute equivalence of systems onto full time and part time students. As we outlined above, a rush to create absolute equity in terms of tuition fees in particular, is likely at best to destabilise existing provision, and, at worst, make much of it too expensive for the kinds of students we wish to attract, and therefore to put at risk a significant element of the widening participation strategy of the WAG. It would be a case of making policy in haste, and repenting at leisure.

**7.6.3** The NBS is an important element of our proposed Wales-specific student support system for full time students. We believe in principle that given their importance to the sector in Wales, and to many wider policy goals of the WAG, part time Welsh domiciled students should be eligible for the NBS, where the volume of study is over 30 credits per year and it leads to a qualification. This is in line with the recommendation of the first Rees Review, that students studying at this credit volume should be eligible for ALGs. Figures from HESA show that in 2003/4, there were 20,055 Welsh domiciled part time enrolments at 30 credits or above. Expressed as FTEs, this equates to 10,857.

**7.6.4** However, these figures include some students for whom fees are paid by employers, and may include students who enrol more than once for different modules above the 30 credit threshold. The figures also include some students who are recorded as being part time but who, in that year, studied over 120 credits. We would not expect all of these students to actually qualify, on the basis of low income, for a National Bursary. We therefore wish research to be undertaken to inform the devising of eligibility criteria regarding these students, that take into account these and any other relevant factors.

### *Recommendations on part time students (a summary version is in Section 5)*

- **We recommend that a scoping study be undertaken with a view to making the National Bursary Scheme open to Welsh-domiciled part time students, on a pro-rata basis, if they are studying 30 credits or more per year, as part of a recognised scheme of study leading to a qualification. This should be completed in time to allow any introduction of appropriate NBS support for part time students alongside that for full time students.**

**7.6.5** Our remaining recommendations in the area of part time students are framed within a clear recognition of, and strong commitment to, a continuing central role for part time provision in HE, but marked also by a degree of caution. This is necessary if long term and



sustainable solutions are to be developed for this part of the sector. We believe there needs to be further work undertaken, particularly in the area of data collection and appraisal, in order that any new systems for part time students can be based upon firm evidence.

- **We recommend that an Independent Review is established, and charged with bringing forward recommendations to the Welsh Assembly Government, with a view to creating an affordable, practicable, simple and transparent system of fees and student support for part time students, giving most support to those most in need, in readiness, subject to WAG acceptance, for implementation in 2007/8. This would constitute a further component of the ‘Welsh model’ that we have developed and proposed in this report, in respect of full time students. The Review should:**
  - have input from key stakeholders within the area of part time HE in Wales, and be required to consult widely, including with students;
  - consult with the researchers carrying out the UUK research on part time student issues, with a view to obtaining enhanced data for Wales;
  - commission further research on part time study in the Welsh higher education sector, if required, to enable modelling to be conducted. This research to be conducted by early 2006;
  - seek to build upon the strengths, and to minimise weaknesses, of existing part time provision;
  - take into account the needs of part time learners studying at HE level in FE Colleges;
  - consider costs of student support and developmental work as they affect the part time provision of HEIs, and relate to fee systems;
  - take account of the results of the research into the needs and experiences of mature age learners;
  - consider issues arising from existing collaborative community and employment based schemes enabling progression into part time higher learning, particularly in relation to the impact on progression of any variations of fee and support levels around the transition, and
  - consider any measures that would improve data collection in respect of part time students and provision.
- **We recommend that in the intervening academic years, existing part time provision, particularly that which plays a role in widening participation strategies, should not be jeopardised by significant increases in fees.**

**7.6.6** We are aware that the review we propose, despite having access to more detailed data and research findings, will be faced with the same challenges which we faced in the area of part time fees and student support. We believe that with better source data and with a longer timescale to develop new systems, there is real scope for creating a Wales-specific model that takes seriously the needs of part time learners. But for this to become a reality,

it will almost certainly require additional financial resources, including additional resources from the WAG. As we outlined earlier in our section on tuition fees, we are mindful of the WAG's budgetary constraints, and the wider limits to its powers in terms of raising additional revenue.

**7.6.7** The new means-tested maintenance grants that will be made available to full time students in Wales as a result of the HE Act, will 'free up' a proportion of the money currently paid out to full time students in the form of ALGs, since funds for the new maintenance grants for full time students will be included in the annual settlement from the UK government. Together with the sum allocated to ALGs for part time students in HE, this money constituted a sum of £15.5m in 2002/3, and just short of £16m in 2003/4. We believe firmly that the ALG money currently allocated for further education students should remain in place.

**7.6.8** We propose that the WAG should give serious consideration to the use of this money in conjunction with the new fee grant, course grant and fee waiver monies, to develop an adequate, transparent, progressive and sustainable system of tuition fees and student support for part time students.

**7.6.9** It is not for us to pre-judge the shape of any new system for part time students. The new Review, once established, may wish to consider additional maintenance grants, an extended fee waiver scheme, deferred payment for certain credit volumes, fee discounts, with compensation for HEIs, for the first 10 or 20 credits studied, some kind of part time premium, or a combination of schemes such as these. There may be creative and practical schemes that we have not been able to devise.

- **We therefore recommend that the WAG gives serious consideration to using that element of ALG funds currently allocated to full time Welsh domiciled students in higher education, combined with that proportion of ALG money currently being paid to part time students in HE, to support new arrangements for part time students in Welsh HEIs. The nature of the new arrangements should be shaped by the Independent Review of part time fees and student support which we have recommended.**

## 8. Conclusion

**8.1** The broad vision for HE laid out in the Welsh Assembly Government's Aiming Higher policy document states that:

*"HE makes a vitally important contribution to the prosperity of Wales as a whole. No country in Europe or beyond can nurture the best possible prospects for its people without strong, entrepreneurial and successful institutions of HE playing a major role in the development of the knowledge economy."*

**8.2** It also states that HE has a central significance in 'enabling Wales to develop an international reputation as a place marked by creativity; entrepreneurial flair; and progressive, outward looking social engagement that attends as much to poverty of opportunity as to sustainable development.'

**8.3** The HE system in Wales needs to offer world-class research and teaching provision, extend opportunities for lifelong learning to all and contribute to and nurture the social, economic and cultural life of Wales.

**8.4** The Group fully endorses all these aspirations. To achieve them, the Welsh HE sector must be strong, flexible and adequately funded. We were asked to give advice about how the HE sector should be funded and how the student support system should be modified, to help widen access and participation. The Group has tackled these questions but we would not have chosen to start from here, particularly given the complexity of the issues involved and the extremely tight financial, policy and time constraints within which we have had to work. The issues involved in considering the future of HE funding and student support in Wales are extremely complicated. We have examined a full range of options and made recommendations based on careful and detailed consideration of evidence and implications. We recognise that there is no ideal option that would please all stakeholders, but we have sought to identify the most feasible options, within existing constraints and to make realistic recommendations that will strengthen the HE sector, provide effective support for students, contribute to widening educational opportunity and help build a vibrant economy and civil society for the future of Wales.

**8.5** We argued that it is necessary to re-conceptualise the funding of HE. HE is both a public and a private investment - the benefits are shared, so the costs also need to be shared. The HE sector in Wales, and indeed in the UK as a whole, has been significantly under-funded; additional investment is needed, and we believe the costs must be shared between taxpayers, graduates, employers and the wider community.

**8.6** To achieve and maintain excellence, the Welsh HE sector requires flexibility; HEIs must be responsive in an increasingly competitive UK and global market. We must also ensure fairness for both students and graduates. We believe that a system of flexible fees for HE, deferred until after graduates are employed and then paid on an income-contingent basis, together with a National Bursary Scheme targeted on those most in need, is the best way of combining flexibility and fairness.

**8.7** There are advantages for Wales in a collaborative model, with a National Bursary Scheme rather than the competitive model developing in England. There has also been a clear and consistent message from student representatives, the NUS and student support managers: students need a clear, simple system of support that provides adequate financial assistance, particularly for disadvantaged students, and is implemented in a clear and transparent way which is also sensitive to special needs and circumstances.

**8.8** The effects of a new HE funding system in Wales should be carefully monitored, including the effects on the income of HEIs, patterns of student admission and progression and cross-border flows. The effects on students need to be carefully monitored also, to ensure that the NBS is effective in widening access and achieving other objectives. We recommend that a further review of both the fee regime and student support system be carried out by 2009/10. Above all, we recommend that that some urgency is applied to implementing recommendations if they are accepted: the sector and the students need clarity and certainty to inform their planning for the future.

## 9. Appendices

### Appendix I Biographies of Review Group Members

#### **Professor David Bell**

Professor David Bell is Head of the Department of Economics at the University of Stirling, Scotland. He is also joint director of the Scottish Economic Policy Network and is a Fellow of the Royal Society of Edinburgh. His main areas of interest are labour economics, health economics, regional economics and economic modelling and he has published widely on these issues in the academic literature.

#### **Dr Anthony Bruce**

Tony Bruce is director of policy development at Universities UK, the representative body of universities and associated colleges. He has worked at Universities UK (formerly known as the CVCP) since convergence in 1993 in various policy roles and has been closely involved in the organisation's continuing work on funding reform. He previously served as head of policy at the former Committee of Directors of Polytechnics, which represented the former polytechnics until they were accorded university status in 1992.

#### **Professor Richard B Davies**

Richard Davies is the current Vice-Chancellor at University of Wales, Swansea. As an applied statistician, Richard Davies has worked across an unusually wide range of disciplines including Medicine, Metallurgy, and Social Science. He has about one hundred publications in academic journals and books. He has worked extensively in industry including Rolls Royce, GEC, and Nuclear Electric. He has also undertaken contract research for government ministries and led all the statistical analyses for the Lord Woolf Enquiry into the civil justice system.

#### **Mr Rob Humphreys**

Rob Humphreys lectures in continuing adult education at the University of Wales Swansea, and is Chair of NIACE Dysgu Cymru, the adult learning organisation for Wales. He is also a member of the Company Board for NIACE England and Wales, and a member of the committee of the Universities Association for Lifelong Learning Cymru. He is a Fellow of the National Centre for the Study of Public Policy, and has published in the fields of lifelong learning and continuing education

#### **Ms Gerry Jenson**

Gerry Jenson is currently an Assistant Principal at Coleg Llandrillo Cymru where her responsibilities include Adult and Community Learning and Access to Higher Education. Throughout her career in the FE sector she has been actively involved in activities to widen participation to learning including the setting up and running of The Rhyl Community College. Until recently she was a director of the North Wales Open College Network and is currently a director of the Denbighshire Foyer. Prior to her involvement in education she worked overseas as a marine biologist.

### **Mr Darren McGinley**

Darren McGinley is the President of the Students' Union at Trinity College Carmarthen, a post he has held since the academic year 2003/4. During his time in office he has been involved with a number of campaigns, at a local, national and UK level. He chairs an Executive Committee meeting once a week where he receives student feedback on a range of issues from ten elected officers, who are full time students representing all sections of the student body.

### **Professor Teresa Rees CBE**

Teresa Rees is a Professor in the School of Social Sciences and Pro Vice Chancellor (Staff and Students) at Cardiff University. She is a long-term expert adviser to the European Commission on mainstreaming equality in education, training and labour market policies and more recently, in science policies. She chaired the Independent Investigation Group on Student Hardship and Funding in Wales, commissioned by the Minister for Education and Lifelong Learning at the National Assembly for Wales from 2000-2001. She is an Academician of the Academy of Learned Societies in the Social Sciences and was awarded the CBE for services to higher education and equal opportunities in 2003.

### **Dr Sonia Reynolds**

Sonia Reynolds is currently Director of Dysg, Learning and Skills Development Agency for Wales. A research neuroscientist initially, she has been involved in research and development in education and training for a number of years. Prior to joining LSDA she had a variety of roles starting in education and training as a tutor in computing and electronics at the South Glamorgan Women's Workshop. Following a period as Director of the Wales Access Unit, where she worked with FEDA Cymru and Fforwm on the development of Credits, the Wales FE Credit Framework, she was the Director of Higher Education Development Wales, and in 2000 she became Director of the Credit and Qualification Framework for Wales Project.

### **Mr Ken Richards**

A graduate in Economics, Ken Richards was appointed as a research assistant to Professor Brinley Thomas at Cardiff University and the following year joined the Economics Department of the Massachusetts Institute of Technology, where he held a Thomas Elizabeth Williams fellowship. He is now retired from his post as a lecturer and tutor at the school of Management and Business at the University of Wales, Aberystwyth. He has been active in consultancy on economic and financial matters and continues to do some work in this area.

### **Judge Ray Singh CBE**

Ray Singh is Barrister-at-Law and District Judge; Member of Equal Treatment Advisory Committee, Judicial Studies Board; Governor, Swansea Institute for Higher Education and Swansea College, Swansea; Independent Chair of Complaints Panel for Welsh Assembly Government; Commission for Racial Equality, Commissioner for Wales 1996-2002. He is also Board Member of Neath Victim Support. He was Chair of 'Challenges for the Future, Birmingham City 2000-2002; Formal Investigation into Prison Service on Racism', Report 2003, 2004. Judge Singh is also a Board Member of Tai Cartrefi; Gwalia Housing Ltd.

### **Ms Eileen Smith**

Eileen Smith has worked for local government since 1974, after short periods working in a bank and for the Inland Revenue. Eileen started in the Treasurer's department in the Rates Section, moving on to Budgetary Control and later to the Leisure Department as Finance Officer. In 1996 she was appointed senior officer in charge of student support (later called student finance) and has been there since. She has also been treasurer of the South Wales Miners' Eisteddfod since 1984.

### **Ms Felicity Williams**

Felicity Williams is General Secretary of Wales TUC. She qualified as a Biomedical Scientist, specialising in Blood Transfusion Science and, more particularly, in Transfusion Microbiology. Her particular interests include training and development, fairness at work, equality issues and the NHS. She is a director of the Institute of Welsh Affairs, a member of the Objective 1 Monitoring Committee and a member of the Human Resources Thematic Advisory Group for Objective 1.

### **Dr Maureen Woodhall**

Before retirement in 2001 she was Senior Research Fellow in the Department of Education, University of Wales Aberystwyth, and is now Honorary Departmental Fellow in the School of Education and Lifelong Learning in Aberystwyth. She worked in the Institute of Education, University of London, where she is now Emeritus Reader in Education Finance, and also a Visiting Fellow in the School of Education, University of Sussex. She has published extensively on higher education finance, including books and articles on student support, particularly student loans. She was awarded a PhD (by published work) by the University of Wales, on the basis of her publications on HE finance and student support.

### **Ms Eleri Wynne Jones**

Eleri Wynne Jones is a retired part-time lecturer at the University of Wales, Bangor, and a member of HEFCW. In a varied career, she has worked as a journalist, counsellor and director of Channel 4 and S4C television companies. In the mid 1990s she served as a member of the Staff Commission set up by the Welsh Office to look after the interests of employees affected by the reorganisation of local government. In 1993 she became involved in university politics as a member of the Council of the University of Wales, Aberystwyth and later of the University of Wales, Bangor, of which she is now an Honorary Fellow.



## Appendix II

### Summary of Research Projects Commissioned

#### *The Changing Graduate Labour Market: A Review of the Evidence*

Professor Phil Brown *et al.*

The purpose of this research was to provide a comprehensive review of the evidence of the graduate labour market in Wales, in order for the Welsh Assembly Government of Wales to develop an effective and fair system of student support. The evidence from this research was based on survey data to examine trends in the demand in Wales and beyond. It also investigated trends in graduate incomes. It went beyond an analysis of rates of return between graduates and non-graduates to include differences amongst those with graduate qualifications. A range of factors was explored in relation to graduate labour market outcomes including gender, subject of study and sector of work.

#### *Attitudes towards Participation in HE in Wales*

Professor John Fitz, Dr Chris Taylor, Dr Lesley Pugsley

The purpose of this study was to identify the social and economic factors that shape participation in HE in Wales. The findings were intended to contribute to the Review Panel's deliberations on its Terms of Reference. It directly focused on questions relating to the likely effects of the introduction / non-introduction of variable fees in Wales, and current responses to the existing student support system and issues relating to access to HE. The research moreover aimed to contribute to and further develop an understanding of patterns of participation in HEIs in Wales.

#### *Secondary Data Analysis of Students' Participation in HE in Wales*

Dr Chris Taylor, Professor Stephen Gorard

The purpose of this research was to investigate trends in participation rates and dropout among students in HE in Wales. Using primarily existing secondary data, it considered the impacts of the earlier introduction of tuition fees and, where possible, the more recent effects of the introduction of student support by the Welsh Assembly Government (i.e. Assembly Learning Grants and the Financial Contingency Funds) on participation rates in Wales.

#### *A Review of Research on Student Support Systems and Tuition Fee Regimes, with a special focus on Wales*

Dr Dean Stroud, Dr Chris Taylor, Claire Smetherham

The purpose of this review was to inform the Review Panel about the research on issues of student funding and the financing of HE, with special reference of HE to Wales. It specifically sought to set out the national and policy context and the background to the Higher Education Act and to profile current systems of funding and HE financing and make international comparisons. It further aimed to examine literature on the possible ways forward for student funding and the financing of HE in Wales.

## Appendix III Individuals and Organisations that Submitted Oral and Written Evidence

### *Oral evidence*

<b>Speaker(s)</b>	<b>Presentation</b>	<b>Date</b>
Glyn Jones (WAG)	ALG/FCF Statistics (RRII-02-04-p09)	20/09/04
Jo Salway (WAG)	HE Reaching Higher Progress Report (RRII-02-04-p10)	20/09/04
Jo Salway (WAG)	HE Funding Paper (RRII-02-04-p11)	20/09/04
John Howells (WAG)	John Howells (WAG)	21/10/04
Margaret Provis (SSIW)	Health and Social Care: Social Care Sector	21/10/04
Sue Cromack (NHS Wales)	Health and Social Care: The NHS	21/10/04
Mike Phelps & Jonathan Price (WAG)	Graduates and the Labour Market in Wales	21/10/04
Dr. Arnaud Chevalier (University of Kent & London School of Economics)	Are We Educating Too Many Graduates?	25/11/04
Prof. Peter Sloane (University of Wales Swansea)	Over Education and the Graduate Premium in Wales	25/11/04
Ian Walker (University of Warwick)	The Evolution of the Graduate Labour Market	25/11/04
Reg Kilpatrick (WAG)	Finance and RAB Charges	15/12/04
Jim Cowan (WAG)	E-Learning	15/12/04
Dr. Chris Taylor (Cardiff University)	Secondary Data Analysis of Student Participation in HE in Wales	16/12/04
Prof. John Fitz (Cardiff University)	Attitudes towards Participation in HE in Wales	16/12/04
Prof. Phil Brown (Cardiff University)	The Changing Graduate Labour Market	16/12/04
Ron Loveland (WAG)	Presentation on the Nexus Report	19/01/05
Dr David Holton (University of Glamorgan)	Preparing Fee Plans	03/02/05
James Knight (NUS Wales)	Fees/Student Support Issues	03/02/05

## *Written Evidence of stakeholders: written responses*

Aberystwyth University of Wales  
Association of Teachers and Lecturers  
AUT  
Bangor Students Union  
British Dental Association  
British Medical Association - Welsh Medical Students Committee  
Cardiff University  
CBI  
Conwy County Borough Council  
Department for Work and Pensions  
ELWa  
Fforwm  
Flintshire County Council  
Higher Education Wales  
Janet Ryder AM  
NATFHE  
National Bureau for Students with Disabilities  
National Mentoring Scheme, Cardiff University  
National Postgraduate Committee  
NEWI  
NIACE Dysgu Cymru  
Northern Ireland Department for Employment and Learning  
NUS Wales  
Peter Black AM  
Royal College of Veterinary Surgeons  
Royal Welsh College of Music and Drama  
Scottish Funding Councils for Further and Higher Education  
Student Loans Company  
Swansea Institute of Higher Education  
The Council for Industry and Higher Education  
The Law Society  
The Open University in Wales  
The Royal Academy of Engineering  
UCAS  
Universities Association for Lifelong Learning, Cymru  
University of Glamorgan  
University of Wales, Bangor  
University of Wales Lampeter  
University of Wales, Newport  
Universities UK  
UWIC  
Welsh Secondary Schools Association  
Wrexham County Borough Council

## Appendix IV Individuals and Organisations Visited by Group Members

REES REVIEW VISITS LOG			
Event/Organisation	Date	Attendee	Purpose
'Funding Higher Education in Wales – What are the options?' <i>Higher Education and Social Justice</i> , British Education and Social Justice Special Interest Group/Society for Educational Studies seminar, Cardiff University	08/07/04	Teresa Rees	
'The Welsh Approach and the Independent Review' <i>Top-Up Fees and the Future of Student Funding Explained</i> Teachers and Advisers Conference, University of Glamorgan	09/07/04	Teresa Rees	
'Student Support: A view from Wales' Keynote address at the Annual Conference of the Universities Association for Continuing Education, <i>Regional Futures: Formal and Informal Learning Perspectives</i> , held at the University of Glamorgan		Teresa Rees	
HEW/HEFCW/CHEW annual conference, Aberystwyth	03/09/04	Teresa Rees	
NUS Big Welsh Weekend Conference	11/09/04	Darren McGinley, Teresa Rees	Annual Event
Glyn Jones Statistician WAG	21/09/04	Presenter at panel meeting	
Jo Salway Higher Education Dept WAG	21/09/04	Presenter at panel meeting	
Meeting with Principal and Vice-Principal of SIHE	September 2004	Judge Ray Singh	
'Cost-Sharing and Accessibility in Higher Education in Mature Economies' paper given to international conference, Portugal	4-5/10/04	Maureen Woodhall / Ken Richards	Invited to present paper to conference, which will be published in 2005.
John Howells (Head of HE WAG)	22/10/04	Presenter at October panel meeting	Outlining his role as the new Head of HE in WAG
NUS Debate, Norwegian Church, Cardiff	30/11/04	Neil Surman / Rob Humphreys / Ken Richards	Arranged by NUS Aberystwyth to discuss Tuition Fees

<b>REES REVIEW VISITS LOG</b>			
<b>Event/Organisation</b>	<b>Date</b>	<b>Attendee</b>	<b>Purpose</b>
Amanda Wilkinson (HEW)		Teresa Rees	Amanda Wilkinson recently appointed as Head of HEW
President WSU Bangor		Eleri Wynne Jones	
Cardiff University Student Union Academic Council	4/11/04	Teresa Rees	
Joint meeting of NIACE Dysgu Cymru Management Group and UALL Cymru	12/11/04	Teresa Rees Rob Humphreys	
Public lecture 'The Future Funding of Higher Education in Wales', NEWI	13/10/04	Teresa Rees	
Meeting with Alun Evans on the GB mentoring project		Teresa Rees	
Welsh Student Support Officers		Teresa Rees / Ken Richards	
Grace Martins-Waring	26/11/04	Presenter at November Panel meeting	
Meeting with the National Association of Students Services Managers	01/11//04	Gerry Jenson	Discussion of Student Support Issues
'The break-up of Britain? – Fees and funding beyond England' Conference of the Association of University Administrators, Loughborough	11/11/04	Teresa Rees	
NUS Demonstration on fees, Cardiff	02/12/04	Teresa Rees / Darren McGinley (observers)	
Wales TUC	01/12/04	Teresa Rees / Felicity Williams / Gill Thomas	Open dialogue with NATFHE/AUT & GMB Unions
UACE Conference, Oxford University (part timers seminar)		Neil Surman / Rob Humphreys	
Centre for Research on the Wider Benefits of Learning, Institute of Education, University of London, Roundtable on "Measuring the Benefits"	06/12/04	Maureen Woohall	Presentations on research on the wider benefits of learning from USA, UK and OECD.

<b>REES REVIEW VISITS LOG</b>			
<b>Event/Organisation</b>	<b>Date</b>	<b>Attendee</b>	<b>Purpose</b>
Meeting with Vice Chancellor, University of Glamorgan	31/01/05	Teresa Rees	
Richard Davies, Lynne Hamilton John Howells (WAG)	2/12/04	Teresa Rees	
Swansea Student Support Sabbatical Officers		Richard Davies	
Reg Kilpatrick Head of Finance WAG		Richard Davies	Explanation of RAB charges
Jim Cowan DfTE WAG	15/12/04	Presenter at December panel meeting	E-Learning
Aldwych Group (postgraduate student union officers from Russell Group universities)	15/12/04	Teresa Rees	
Higher Education Wales	27/01/05	Teresa Rees / Neil Surman	
NUS Spring Conference	25/02/05	Darren McGinley Teresa Rees	
Skill Wales	1/3/05	Teresa Rees	Launch of Skill Wales
'Tuition Fees in Britain and Germany' Seminar at British Embassy, Berlin	16/03/05	Teresa Rees	
Briefing to AMs	08/03/05	Teresa Rees and Members of the Review Group	
Evidence to Education and Lifelong Learning Committee of NAW	09/03/05	Teresa Rees Ken Richards and Rob Humphreys, with Members of the Group in attendance	

## Appendix V

### Chatham House Seminar List of Delegates

Alison Allan (HEFCW)

Kevin Attfield (SLC)

Beatrix Bown (OU in Wales)

David Blaney (HEFCW)

Usha Boolaky (CRG Research)

Sue Boorman (NEWI)

Hywel Davies (UCAS Welsh Standing Group)

Viv Davies (NIACE Dysgu Cymru)

Jennifer Dyer (Skill)

John Graystone (Fforwm)

Mary Gurteen (DfES)

Lynne Hamilton (WAG)

Ian Harrop (DfES)

John Howells (WAG)

James Knight (NUS Wales)

Lisa Newberry (WAG)

Erik Ostman (SLC)

Robert Pearce (UALL Cymru)

Jo Salway (WAG )

Amanda Wilkinson (HEW)



## Appendix VI Summary of Six Options Considered by Review Group, with Evaluation of the Rejected Options

### Table of Options and Risk Appraisal

<b>Estimated resource required for Supplementary Income Stream (costs for academic year)</b>						
<i>£ million</i>	<b>2006/7</b>	<b>2007/8</b>	<b>2008/9</b>	<b>2009/10</b>		
Option 1: Continuation of £1200 fixed fee	36.7	65.0	87.8	95.1		
Option 2: Fixed fee of £2000 introduced for new entrants from 2007/08 onwards	36.7	48.5	58.7	55.5		
Option 3: Variable fees up to £3000 are introduced for new entrants from 2007/08 onwards	36.7	27.3	21.0	4.8		
Option 4: Same as above. Difference between 3 & 4 is regarding the role of the Assembly	36.7	27.3	21.0	4.8		
Option 5a: Variable fees up to £3000 introduced for non Welsh domiciled new entrants and £2000 for Welsh domiciled new entrants from 2007/08 onwards	36.7	38.9	41.8	33.1		
Option 5b: Variable fees up to £3000 introduced for non Welsh domiciled new entrants and £2500 for Welsh domiciled new entrants from 2007/08 onwards	36.7	33.0	31.2	18.8		
Option 6: Fixed fee of £3000 introduced for new entrants from 2007/08 onwards	36.7	27.0	20.5	4.0		
Option 7: No fees in Wales for new students from 2007/08 onwards. 2006/07 cohort continue to pay fixed fees of £1200	36.7	91.5	134.8	158.2		

#### Notes

The supplementary income stream is based on the assumption that, for cohorts where fee levels in Wales are less than that in England, the income of Welsh HEIs will need to be supplemented in lieu of variable fee income foregone if 91% of students were charged full tuition fees and the remainder charged £2000.

For options 5a and 5b it has been assumed that all Welsh HEIs would charge the maximum variable fee.

For option 6 it has been assumed that from 2007/8 onwards the SIS provided would be the difference between the extra income generated from higher fixed fees (in comparison to variable fees) and the funding in lieu of no variable fees for 2006/07 cohort.

Figures dependent on policy decisions surrounding s.i.s. The estimates are based on HEFCW publicly funded full-time and sandwich Home and EU student numbers for 2004-05. No growth in publicly funded numbers has been incorporated into the model and as such no assumptions have been made regarding the impact on publicly funded numbers of either (i) the potential influx of students to Wales following the introduction of variable fees in England but not in Wales, or (ii) the enlargement of the European Union.

## Option 1- The Status Quo

The continuation of a fixed fee arrangement at the current level would require a significant funding subsidy from the Welsh Assembly Government in order to maintain a similar level of funding for Welsh HEIs as in England. WAG project the cost of this income stream to be £37 million in 2006/07, rising to £95 million in 2009/10. This would be a substantial added cost to the WAG budget, which would not be sustainable over the longer-term. Funds provided by the WAG, would be needed as a substitute for fee income, and would not represent additional resources which could be used to strengthen the quality and structure of Welsh HEIs. In short, there would be significant financial loss to the sector under the current fee regime, threatening the longer-term sustainability of both institutions and courses. There is a risk that the Assembly would be unable to sustain the supplementary income stream because of the competing demands on the Assembly budget.

The continuation of the current system also has significant implications for cross-border flows of students to and from Wales. If fees were to remain substantially lower than in English HEIs, students from across the border would be attracted to Welsh HEIs because of lower costs. An increase in demand for full time undergraduate places at Welsh HEIs from well-qualified English domiciled students could reduce the places available for Welsh domiciled students. This would mean that the WAG would be effectively subsidising students from across the border, with funds which could be used more effectively to target students with greater need in Wales. There could also be cross-border flows of staff; if the financial position of Welsh HEIs declines relative to England, there is likely to be a net loss of academic staff to other UK institutions.

This option would place severe limits on the flexibility and autonomy of Welsh HEIs. Fixed fees at the current level would deprive Welsh HEIs of the power to determine their own fee levels in response to demand for different courses. HEIs elsewhere in the UK will have this flexibility, but the ability of Welsh HEIs to respond to changing market conditions will be severely curtailed. Moreover, at a time when many English HEIs are competing for students in terms of bursary provision, Welsh HEIs would be less able to provide bursaries, or other targeted support for students from disadvantaged backgrounds. Such differences between Welsh and English HEIs would have a strong bearing upon the competitiveness and profile of Welsh HEIs, as well as perceptions of the quality of provision in Wales. Smaller institutions would find it hard to compete with similar institutions in England, and larger, research-active institutions could risk losing their competitive position.

The risks attached to this model are therefore very high. There is a risk of growing financial disparities between Welsh HEIs and those in other parts of the UK,. Institutions in Wales would be dependent on the SIS from the Assembly Government to maintain their financial position and competitiveness, which would place considerable pressure on the Assembly budget. The existing funding shortfall in the sector is likely to continue if the current system is retained, making it difficult for Welsh HEIs to achieve world-class status excellence in teaching and research. This model would put in danger the role of Welsh HEIs in helping to develop a knowledge-economy in Wales, and other WAG objectives could be jeopardised by cross-border flows of students and staff.

## Option 2- £2,000 Fixed Fee (+ extra funds from WAG)

Under this model the fee income available to Welsh HEIs would be higher than under the first option, but it would still result in a financial shortfall, albeit at a lower level. The WAG would still have to provide a SIS to compensate for this funding gap, which would impose heavy costs on the budget. WAG project that the cost of the SIS would be £37 million in 2006/7, rising to £56 million in 2009/10. As in Option 1, this funding from WAG would represent a substitute for fee income, rather than extra resources to strengthen Welsh HEIs. If the fee cap in England were raised over time, the level of the supplementary income stream would need to increase commensurately to compensate for the forgone income by Welsh HEIs as a result of lower fee levels. This is a resource which could be better used to enhance the infra-structure of Welsh HEIs instead of compensating for forgone income. Whilst this option would provide additional resources, compared with Option 1, it would not fully overcome the funding shortfall in Welsh HEIs.

This option, like the first, has implications for cross-border flows. A net increase of students from England into Wales would still be likely if Welsh HEIs charged £1,000 less than in England. This would potentially be at the expense of Welsh domiciled students who would face greater competition for places at Welsh HEIs. A relatively small shift in the behaviour of students across the border would have significant implications for admission and applications in Welsh HEIs. Moreover, such changes could undermine WAG's goal of more Welsh domicile students studying in Wales. As in Option 1, WAG would be subsidising English students and non-UK EU students attracted by discounted fees and generous statutory fee support (particularly if the fee remission grant were to be maintained). This money could be better spent in promoting participation by disadvantaged Welsh domiciled students. Furthermore, there is the risk that the quality of research and teaching would decline if staff were attracted to English HEIs by better resources and higher salaries.

This option again limits the autonomy and flexibility of Welsh HEIs, who would be less able to maintain their financial position and competitiveness than English institutions with the power to set variable fees, and less able to respond to changing market conditions elsewhere in the UK. Moreover, they would still find it difficult to introduce targeted support for students through bursaries.

There are risks attached to the option of a fixed fee at £2,000; these are similar to the risks of Option 1. Welsh HEIs would again be dependent on the SIS provided from the WAG budget, which might not be sustainable in the longer term; and would not fully compensate for the deficit in income between Welsh and other UK HEIs. The existing financial shortfall would remain under this option, placing Welsh HEIs at a disadvantage compared with HEIs across the border. Welsh HEIs would be unable to respond to significant market and policy changes occurring elsewhere in the UK; the competitive position of Welsh HEIs would continue to be relatively weak. Welsh HEIs, both teaching and research-led, would risk losing parity of esteem with their UK counterparts; if Welsh courses were cheaper, they could be regarded as inferior.

### **Option 3- The English Competitive Model (variable fees/ lead by HEIs/ market driven)**

Overall, the financial position of Welsh HEIs would be much stronger than at present under this option. With the introduction of variable fees of up to £3,000 the need for the SIS would decrease from £37 million in 2006/7 to £5 million by 2009/10. Likewise, this model would have no direct effect on the pattern of cross-border flows - either of students or staff - since the position in England and Wales would be largely the same. We would not expect to see significant changes in the number of students leaving or entering Wales. It would offer the flexibility lacking in the first two options. The autonomy and flexibility of Welsh HEIs would be similar to that in England. Institutions would be able to set their own fee levels, to respond to changes in demand, instead of fees being fixed by WAG. This option would allow HEIs to adjust fees and offer bursaries, including targeted bursaries for disadvantaged students.

Under this option, Welsh HEIs would be in a competitive market in the area of bursary provision, both in relation to each other and those across the border. Early indications of what will happen in England is that competition for the finite number of students from lower income households and those with the highest A-Level grades, will be fierce. The market position of some Welsh HEIs could be relatively weak, especially smaller institutions who might have difficulties competing in an unregulated market. In the event of a significant decline in student enrolments, such institutions would be forced to close. A move towards a regulated market, if the English model, were applied in Wales, could lead to cut-throat competition between institutions. Collaboration between Welsh HEIs, which is a priority of the WAG agenda for reconfiguration of the sector, would be undermined. Instead, the introduction of the English model could result in wasteful competition between Welsh HEIs for resources and students. Welsh HEIs should, as far as possible, be working together, and not competing against each other.

The multiplicity of bursary arrangements among English HEIs creates a bewildering array of choices for students, is a recipe for confusion, and goes directly against the pleas we have heard from student representatives in Wales for a system which is easy to understand and accessible to all.

If the English model is introduced in Wales, with WAG setting both a basic and a higher amount for variable fees, the terms of the 2004 Act mean that any institution that wishes to charge more than the basic amount will be required to prepare a fee plan which must be approved by the relevant authority. In Wales this is likely to be HEFCW. Drawing up fee plans would impose significant extra burdens on Welsh HEIs, and could result in costly duplication of effort in terms of financial modelling, marketing bursaries and monitoring outcomes. Welsh HEIs already have to submit to HEFCW strategic plans, which include provisions for promoting access and equality of opportunity. To require them also to draw up fee plans would be unnecessary and wasteful. Fee plans are likely to absorb resources which could be better used for other purposes, including targeted bursary schemes. Section 5 explains in greater detail how this problem would be overcome in Options 4 and 5.

One of main risks of this option is wasteful competition between HEIs, which is likely to weaken links between Welsh HEIs and could threaten the objective of building a strong knowledge-economy in Wales, if smaller institutions are placed at risk of closure. Wales is too small a country for this; it relies on strong inter-relationships and collaboration between

HEIs, rather than intense competition for resources and students. Although some stakeholders expressed a preference for the English model, the Review Group concluded that it would be inadvisable to simply copy England as the opportunity costs would be greater in Wales. Without an overarching bursary scheme, institutions will be competing for students and students may well be confused, and forced to make choices on the basis of different levels of institutional support offered by different HEIs. Moreover, it places administrative and financial burdens on individual HEIs in developing fee plans. These problems would be overcome by a National Bursary Scheme, as proposed in Section 5.

### **Option 6- £3,000 fixed fee (+ national bursary scheme)**

Under this option the supplementary income stream needed to reduce the shortfall would be £37 million in academic year 2006/7 decreasing to £4million by 2009/10. As in Option 3 this would over time put Welsh HEIs in a stronger position through additional revenue generated through a high rate of fixed fee. Welsh HEIs would not therefore be dependent on the Assembly Government for an SIS to maintain their position. They would be in a position to redistribute some of the extra income from higher fixed fees to target bursaries for disadvantaged students, or to provide incentives for shortage subjects and courses through the medium of Welsh, at their own discretion.

However, as a way of attracting students, HEIs would probably have to draw up a complex array of bursary and other support packages as incentives. As in the previous option, Welsh HEIs could well find themselves in competition with each other in providing bursaries to attract potential students. Welsh HEIs would be getting the highest possible fee but would have to compensate for this by providing bursaries to compete for students. There would therefore be some additional costs to HEIs. The combination of both a national and an institutional-level bursary might not only be costly for WAG, but also involve complex administration and bureaucracy, and it could be very confusing for students.

A combination of institutional and national bursaries could also lead to cross-border flows of students attracted to more generous maintenance support. This again is likely to impact upon admissions to Welsh HEIs for Welsh domiciled students, undermining the *Reaching Higher* objective of greater Welsh domicile participation in Welsh HEIs. There is also a high likelihood that under a statutory bursary scheme the Assembly Government would be required to provide equal levels of maintenance support for eligible non-UK EU Nationals. This would lead to additional costs to the Assembly Government's budget.

As in any of the fixed fee options this model reduces the flexibility and agility of Welsh HEIs, preventing them from charging varying fees for different courses in response to changing market conditions, including changes in student demand, which are likely to result from the introduction of variable fees in England. The lack of flexibility in setting fees could also undermine provision for part-time and mature students. The lack of flexibility for Welsh HEIs would be a particular problem if, for instance, the fee cap is lifted in England. A fixed fee regime would mean that fees charged by Welsh HEIs could only be increased by Assembly Regulation each year, and if fees in Wales fell behind those charged in England, SIS would again be required to compensate for loss of income.

The consensus amongst the Review Group was that any of these options, if adopted by the Assembly Government, would be to the detriment of Welsh HEIs in the immediate or longer term. Elements of each option held attractions. For instance, some members were attracted by the simplicity and transparency of Options 1 and 2, and the fact that both entailed lower fees for students studying in Wales also seemed initially appealing. In Option 6 the prospects of maximising funding through setting a high fixed fee was attractive to some members, since it gave scope for Welsh HEIs to distribute extra funds through targeted bursaries and scholarships. Option 3 was attractive in providing Welsh HEIs with greater flexibility and placing them on a par with their English counterparts, in terms of both funding and agility.

However, a careful consideration of these options highlighted the risks and opportunity costs associated with each of them, which we judged would be too great in the long run. The financial shortfall currently weakening Welsh HEIs would continue under Options 1 and 2: any extra resources provided by WAG would be needed to compensate for loss of income, rather than representing increased investment. The SIS provided by WAG would have to increase under these options, which would place a significant burden on the WAG budget, impose high opportunity costs, in terms of alternative expenditures on health or other sectors, and could be unsustainable. A continued shortfall in funding would prevent Welsh HEI from developing excellence in teaching and research and helping to build a knowledge-economy in Wales. Option 6 reduces the flexibility of Welsh HEIs and prevents them responding to changing market conditions. It further entails complexity, particularly in relation to bursaries. Whilst Option 3 would help to meet the funding shortfall and provide flexibility, Welsh HEIs would be in a position of wasteful competition with each other for students and resources. Smaller HEIs in Wales could be particularly at risk. There would also be costs to HEIs in drawing up fee plans and costs to the WAG in drawing up access regulations and monitoring.

## Appendix VII

### Student support arrangements in Wales for the academic year 2006/7

There are three elements to the student support package that will be in place in Wales from 2006. These are a fee loan, a maintenance grant and a maintenance loan.

A fee loan is a non means-tested loan administered by the Student Loans Company (SLC) to individual students in order to cover the cost of their tuition fees. Students will be able to defer paying their tuition fees until after they leave HE, by taking out a fee loan in much the same way as they currently take out a maintenance loan. Deferred payment of tuition fees would commence only after a specified earnings threshold has been reached (in 2006 this will be £15,000)

In 2006, for all new students from lower income households, the Assembly Government will provide a new means-tested, non-repayable maintenance grant of up to £2,700. How much the student will get will depend on their household income.

Maintenance loans, the third element of student support, are loans administered by the SLC in order to help students meet their living costs while at university. Maintenance loans are currently means-tested for the first 25%, which means students from low income families are entitled to take out a full (100%) loan, while those from higher income families can take only 75% of the maximum loan.

Building on the current and proposed England and Wales arrangements, therefore, the student support package for Wales for AY2006/7 will comprise the elements listed in the following table:



## Student Support Package for Wales for 2006/7

	<b>GRANT/LOAN 2006/7</b>
<b>A</b>	<p><b><i>Maintenance Loans</i></b> Amount of repayable loan provided to students to help with living expenses. Partly means-tested - all eligible students entitled to 75% of maximum figure, with remainder dependent on household income and amount of maintenance grant received. Current rates of loan are shown below; an inflationary increment for AY 2006/7 onwards is expected through regulations.</p> <p><b><i>Students in 2005/6:</i></b></p> <ul style="list-style-type: none"> <li>▪ Living away from parents and studying in London will receive a 75% loan of £3,880, with the remainder being means-tested up to a maximum of £5,175</li> <li>▪ Living away from parents and studying elsewhere will receive a 75% loan of £3,145 with the remainder being means-tested up to a maximum of £4,195</li> <li>▪ Living with parents (under 25) will receive a 75% loan of £2,490 with the remainder being means-tested up to a maximum of £3,320</li> </ul>
<b>B</b>	<p><b><i>Part-time student support</i></b> A mixture of grants available. Means-tested.</p> <p>For students in 2005/6: Total maximum fee grant of £885, pro-rated so that the maximum amount of a fee grant available to a student reflects the intensity of a student's course- banding system to apply. Maximum support available for household income below £14,970. Fee grant to be uprated with inflation.</p> <p>In addition, maximum course grant of £250 available, not pro-rated to reflect intensity of course and not up-rated with inflation.</p>
<b>C</b>	<p><b><i>Public contribution to tuition fees (fee remission grant)</i></b> The amount of money paid by government towards tuition fees. Means-tested .</p> <p>Students in 2005/6: Those with a household income of up to £22,010 have all of their fees paid for by the government.</p> <p>Students with a household income of between £22,010 and £32,745 receive some help with tuition fees, and those with a household income of over £32,745, are asked to pay the maximum fee contribution of £1,175 a year.</p> <p>From AY2006/07 only available to continuing students.</p>

<p><b>D</b></p>	<p><b><i>Maintenance / Assembly Learning Grant</i></b>          Intended to contribute towards meeting living costs. Will replace current Assembly Learning Grant and Higher Education Grant.          Means-tested.          From 2006, new full time students from lower income households will be eligible for a non-repayable maintenance grant of up to £2,700 a year. Full grant available for students with a household income of around £15, 000 or less, a partial grant for those with a household income of up to £33,000.</p> <p><b><i>HE Grant 2005/6</i></b>          Intended to contribute towards meeting living costs and course-related costs.          Means-tested.          For 2005/6, HE Grant of £1,000 available for students with a household income of £15,580 or less. A partial grant available for students with household income between £15,580 and £21,565. No grant available for students with household income above £21,565.          In addition, in Wales students eligible for the maximum amount of Assembly Learning Grant will receive a “top up” of £500 from the Welsh Assembly Government.</p>
<p><b>E</b></p>	<p><b><i>SLC Paid Grants (targeted grants)</i></b>          Disabled students allowance          Travel grants          Grant in respect of a spouse or an adult dependant          Childcare grant          Parents learning allowance          Vacation grant for care leavers          New grant for part-time students</p>
<p><b>F</b></p>	<p><b><i>Fee Loans</i></b>          Loans made available to students through the Student Loans Company to contribute towards fee costs.          Loans of up to £3000 to students ordinarily resident in Wales studying in England          Loans of up to £1200 to students ordinarily resident in Wales studying in Wales          No up-front fees from 2006</p>
<p><b>G</b></p>	<p><b><i>P.G.C.E.</i></b>          Currently, for P.G.C.E. courses in England and Wales the £1150 tuition fee is waived.          From 2006/7, the first £1200 of the £2700 maintenance grant is likely to be non-means-tested for PGCE students in Wales.</p>

Key elements of the statutory student support system for Wales in 2006/7 which have already been announced by the Minister for Education and Lifelong Learning include:

**Repayment thresholds for loans:**

Students ordinarily resident in Wales will repay fee loans once they have HE and are earning over £15,000 per annum.

**Maintenance grant:**

From 2006, new full time students ordinarily resident in Wales from lower income households will be eligible for a means tested non-repayable maintenance grant of up to £2,700 a year, incorporating the ALG grant. Full grant eligibility will apply to those with an income of £15,000 per annum or less, with a taper applying to upper income levels. Grants are payable in three instalments - one at the start of each term.

**Loan write-off:**

For students starting their course in September 2006 or later, the Assembly Government will write off student loan balances (except for arrears) which are left unpaid (for example because the graduate has been unemployed, sick, or had low earnings) 25 years after their liability to repay commenced, (normally the April after the course finished). This will cover student loans for both fees and maintenance.

*Bursaries*

In addition to the statutory financial support which will be available from the Assembly Government, we expect students normally resident in Wales studying at HEIs in England which charge higher variable fees to be eligible for bursary support from the institution in the same way as students normally resident in England (although this will be a matter for the institutions concerned).

There will be no requirement on HEIs in Wales to provide bursaries as they will not be charging variable fees in AY2006/7.

**Key issues**

The following sections set out two central forms of student support in Wales: the Assembly Learning Grants and Financial Contingency Fund.

*Assembly Learning Grants (ALGs)*

In Wales there is also support for students from the Assembly Learning Grant (ALG) for both HE and FE. The Assembly Learning Grant was introduced in September 2002 following recommendations from the Independent Investigation into Student Hardship and Funding in Wales chaired by Professor Teresa Rees. The Study Group's vision - and one adopted by Ministers - was that the ALG should treat both the HE and FE sectors in the same way, providing the same level of support and enabling students to progress seamlessly up the educational ladder backed by a guaranteed level of support for eligible students.

The 2006/7 transfer of responsibility for student financial support to the Assembly provides an opportunity to deliver the ALG as part of the wider statutory support for Wales-domiciled HE students. We understand that the various elements of the ALG scheme are to be treated as follows:

### **Full time ALG**

With the introduction of the higher level maintenance grant, the ALG as a unique grant for all students (18/19+) in Wales could cease to exist. To overcome this potential risk, the new £2,700 maintenance grant will itself be called the Assembly Learning Grant since it provides funds for broadly similar purposes and will be the flagship scheme in the Assembly Government's suite of statutory student support measures.

### **Part time ALG**

For 2005/6, DfES have introduced a new two-element, part time student grant. As the ALG is for a different purpose, HE students in Wales can currently receive both the part time ALG and the DfES part time grant. Wales also operates a different (more generous) fee waiver scheme than in England; an arrangement made through HEFCW as part of its widening access brief rather than through the HEIs discretionary funding allocation. The DfES arrangement has been largely replaced by the new grant. Pending the recommendations of the Rees Independent Study Group later this year, HE students will continue to receive both the DfES funding package and the ALG for 2005/6 but the two grants will be combined from 2006/7 and uniform eligibility criteria applied.

### **FE ALG**

The ALG which will continue to be available to FE students will no longer mirror the HE ALG as income thresholds will be different and other criteria linked to the Student Support Regulations will not necessarily apply. If we are to maintain the objective that students across both FE and HE sectors be treated the same, there is an argument for realigning the FE-ALG with the HE grant. However, by 2007/8 all 18 year old students remaining in FE will be able to apply for the Education Maintenance Allowance (EMA). Therefore the ALG will be available for all students aged 19 or over.

### **Full time FE ALG**

If the ALG for these students (new and existing) were to be aligned with the proposed higher level maintenance grant for 2006/7 (max £2,700) and the same thresholds applied, the cost would be considerable. However, as the maintenance grant is designed with regard to specific HE student expenditure, namely tuition fees, the EMA provides a better model for the FE ALG, as it is designed to provide incentives for students to re-engage with learning and it recognises progression. There is no strong case for amending the full time FE ALG scheme at this point in time. The ALG for full time FE students will therefore be retained at the current award level - £1,500 maximum - but the scheme will be kept under evaluation to ensure that it provides the support most fitted to the FE student community.

## **Part time FE ALG**

To ensure that it remains consistent with provision for full time students, and to ensure continued value for money, ALG for part time FE students will be retained in its present form.

In the longer term, the future of ALGs for part time students is clearly a key concern.

## **Financial Contingency Funds (FCFs)**

From 2006/07 the Assembly Government will have available a range of new powers and a comprehensive suite of grant programmes to target lower income groups identified as requiring financial assistance and incentives. Many of these, particularly 16 and 17 year old students studying in FE colleges, currently rely on discretionary support from the Financial Contingency Fund to help alleviate financial hardship, although many of these will become eligible for the Education Maintenance Allowance (EMA) as this scheme is introduced over the next three years.

The FCF is made available to institutions to provide discretionary financial help to support vulnerable students, in particular to help them access and remain in education. Specifically it should be used:

- to assist those who need extra financial help to meet particular costs which are not already being met from statutory (or other) sources of funding
- to alleviate cases of financial hardship
- to meet unexpected financial crises
- to intervene in cases where a student may be considering leaving higher education because of financial problems.

Being in receipt of other significant financial support such as a current ALG, HE Grant or the part time statutory package, does not prevent the student from applying for or being awarded financial support from the Financial Contingency Fund. However, the amount of the ALG or other support should be taken into account when considering discretionary support from the FCF.

Priority groups have been identified and HEIs required to ensure that the assessment process targets students who have particular financial needs and those who are in unforeseen financial difficulty. The process should result in most of the available funding being directed to students with a low income and those who have exceptionally high costs. The priority groups are:

- Students with children, especially lone parents;
- Other mature students, especially those with existing financial commitments, including priority debts;
- Students who need extra help with childcare costs;

- Disabled students, in particular those where the Disabled Students Allowance is unable to meet particular costs and the institution has no legal responsibility to do so;
- Care Leavers;
- Final year students, who are in financial difficulty (including those unable to work due to academic pressures); and
- Foyer residents and other homeless students.

Additionally, in the FE sector, institutions and their sponsored organisations may support separate initiatives such as making bulk purchase arrangements with local transport companies and provide equipment or services at lower cost for students who might otherwise need support from Financial Contingency Funds.

There will continue to be students who need additional financial support and many that do not qualify for the means-tested support but do, nevertheless, experience financial hardship. FCFs will therefore be retained. FCFs do however need further examination, as reflected in our recommendations.

### *Transition between FE and HE*

In terms of the transition between FE and HE the key issues therefore include:

- Simplicity - consideration of thresholds, means testing, administration and the Welsh Language
- The retention of the FE ALG
- Protection of the overall level of Part Time support including the retention of the ALG
- No reduction in FCFs or EMAs

### *Continuing students*

DfES policy is that continuing students in England in AY2006/7 should be charged the same fixed rate fees throughout their course and therefore receive the same student support package. A student starting a course in AY2005/06 in England will be charged the fixed rate fee of £1200 and will be eligible for the means-tested fee remission grant of up to £1200 and a £1000 HE Grant. These students will be able to take out an additional fee loan to match the level of fee contribution they are assessed to make. The ELL Minister has already indicated that students starting their course in AY2005/06 in Wales will similarly continue to be charged the fixed rate fee of £1200 and the same student support arrangements will apply in respect of continuing students ordinarily resident in Wales.

## **Appendix VIII**

### **Commissioned Research Project Reports**

See attached CD ROM



## References

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- <sup>5</sup> Education and Lifelong Learning Committee of Welsh Assembly Government (2001) *Policy Review of Higher Education Report* Cardiff: WAG
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- <sup>16</sup> Welsh Assembly Government (2004) *Knowledge Economy Nexus: Role of Higher Education in Wales*, Report of Welsh Assembly Government's Higher Education and Economic Development Task and Finish Group Cardiff:WAG
- <sup>17</sup> Welsh Assembly Government (2001) *The Learning Country: A Paving Document. A Comprehensive Education and Lifelong Learning Programme to 2010 in Wales* Cardiff: WAG
- <sup>18</sup> HEFCW (2004) Annual Remit Letter 2004/04, Cardiff: HEFCW

- <sup>19</sup> HESA (2002/03) All Students by Institution, Mode of Study, Level of Study, Gender and Domicile
- <sup>20</sup> (National Statistics Socio-Economic Classification (NS-SEC) Classes 4-7). Newport: Office for National Statistics
- <sup>21</sup> National Assembly for Wales (2005) *Skills and Employment Action Plan for Wales* Circular No. 51/2004 Cardiff: WAG
- <sup>22</sup> HEFCW (2004) Annual Remit Letter 2004/04, Cardiff: HEFCW
- <sup>23</sup> Table 9 in Appendix 6 gives estimates of the SIS under each of the six options while Section 5 discusses the SIS required under the two options recommended by the Group.
- <sup>24</sup> The Barnett Formula- so-called after a former Chief Secretary of the Treasury, Joel (now Lord) Barnett- is used within the course of a Public Expenditure Survey to adjust the spending plans for the Scottish Executive, the Welsh Assembly Government and Northern Ireland Office to reflect changes in comparable programmes in England.
- <sup>25</sup> Task Force to Government (2004) *Increasing Voluntary giving to Higher Education*
- <sup>26</sup> HEFCE (2005) *Higher Education-Business and Community Interaction Survey 2002-03*, Bristol: HEFCE
- <sup>27</sup> HEFCE: News: 2003: Benefits of Higher Education reach far beyond the job market , Bristol: HEFCE ([www.hefce.ac.uk/news/hefce/2003/benefit.htm](http://www.hefce.ac.uk/news/hefce/2003/benefit.htm))
- <sup>28</sup> Callender, C. (2003) *Attitudes to Debt: School leavers' and further education students' attitudes to debt and their impact on participation in higher education*, London: Universities UK
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