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

Progress Report

**Prepared for Jane Davidson AM, Education and Lifelong
Learning Minister**

Welsh Assembly Government

February 2005

Foreword

The *Higher Education Act 2004* devolves responsibility for elements of Higher Education (HE) funding and student support to the National Assembly for Wales. Jane Davidson AM, the Welsh Assembly Government Minister for Education and Lifelong Learning, set up an *Independent Study into the Devolution of the Student Support System and Tuition Fee Regime to Wales* to advise her on sources of funding for HE and student support mechanisms. This progress report provides an account of our work so far. Our final report, with recommendations and supporting evidence, will be published in April 2005.

Members of the Review Group have been 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 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 sets out some of the challenges that face us in seeking to produce recommendations that will fulfil this brief.

During the course of our deliberations so far, 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. We have been provided with first class support from the small team of Assembly officials seconded to this project.

We have reached the stage of having, we believe, a good understanding of the issues and the consequences, many of which are not at all obvious, of some of the options. It is clear that some popular options may have very different consequences to those that their adherents anticipate. We therefore hope that this progress report will inform readers of the steps we have taken to come to grips with the issues and alert them to the strengths and weaknesses of some of the options.

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

Cardiff, February 2005

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List of Abbreviations

AUT	Association of University Teachers
CATS	Credit Accumulation and Transfer Scheme
CBI	Confederation of British Industry
DfES	Department for Education and Skills.
DHFETE	Department for Higher and Further Education, Training and Employment (Northern Ireland)
DWP	Department for Work and Pensions
ELL	Education and Lifelong Learning
ELWa	Education and Learning Wales
FE	Further Education
FEI	Further Education Institution
FF	Fixed Fee
FTE	Full Time Equivalent
HE	Higher Education
HEFCE	Higher Education Funding Council England
HEFCW	Higher Education Funding Council Wales
HEI	Higher Education Institution
HESA	Higher Education Statistics Agency.
HEW	Higher Education Wales
IT	Information Technology
LEA	Local Education Authority
LSC	Learning and Skills Council.
NAfW	National Assembly for Wales
NARIC	National Recognition Information Centre
NATFHE	National Association of Teachers in Further and Higher Education
NDPB	Non-departmental public body
NIACE	National Institute for Adult and Continuing Education
NUS	National Union of Students
OECD	Organisation for Economic Co-operation and Development
OU	Open University
RAB	Resource Accounting and Budgeting
RAE	Research Assessment Exercise
RR	Rees Review
SHEFC	Scottish Higher Education Funding Council
SIS	Supplementary Income Stream
SLC	Student Loans Company
UAL	University Association of Lecturers
UALL	Universities Association for Lifelong Learning
UCAS	Universities and Colleges Admissions Service.
UI	University for Industry
UKCOSA	United Kingdom Council for Overseas Student Affairs.
UUK	Universities UK
VF	Variable Fee
WAG	Welsh Assembly Government

Members of the Review Group

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Executive Summary

- The *Higher Education Act* 2004 devolves responsibility for elements of higher education (HE) funding and student support to the National Assembly for Wales. The Education and Lifelong Learning Minister, Jane Davidson AM, invited us to advise her on the use of these devolved powers. The final report is due in April 2005. This report documents our activities so far, identifies some key issues and presents some options.
- We have been set an extremely challenging task. Welsh HEIs operate within a UK, indeed a global teaching and research market and need to be adequately resourced. Equally, the case for students being properly supported during their studies is well made.
- We have identified guiding principles to inform our work. These include the need for a well-funded sector where the autonomy of HEIs to pursue their respective missions is protected, and a fair and equitable system of student support that is clear, transparent and simple, and responds to the needs of students in all their diversity, wherever they study, on whatever mode of study. We're especially mindful of the need to protect Welsh language provision, and to address the needs of part-time students.
- We are taking an evidence based approach. We have commissioned a literature review that examines international experiences, and research on the graduate labour market in Wales and the graduate premium, young people's attitudes to going to university and levels of participation in different parts of Wales.
- The adequate funding of higher education is vital for developing a knowledge based economy and a socially inclusive society, as well as playing a significant role in local economies and civic cultures.
- It is widely recognised that the sector is under-funded in the UK. However, additional investment is being made in England and Scotland. There is a danger of HEIs in Wales falling behind.
- The best estimate of the current funding gap in Wales stands at an additional £20m recurrent funding per annum and £30m per annum capital. While some responsibilities are being devolved to Wales, HE operates in a UK and indeed global market. Students, staff and research funding cross borders in pursuit of quality. It is essential Wales is not disadvantaged.
- The main sources of funding are the public purse (for core funding, teaching and research), research grants and contracts (for research and project development) and student fees (including overseas student fees). While there are other existing and potential sources,

such as donations from alumni, they are not likely to make much of an impact on the funding shortfall.

- In future, students will be able to take out a loan to pay their fees. The loan has to be repaid only when the student reaches a specified income level. In addition, they will be eligible for means-tested maintenance grants and partially means-tested maintenance loans.
- In England, it is clear that most universities will charge the highest level of variable fee, £3,000, but are required to develop fee plans designed to encourage access and participation. This is leading to a complex system of bursaries and discounts.
- In Wales, a commitment has been made to hold to the current fixed fee (£1,200 for 2006/07) for the first year at least of the 2006/7 cohort, when variable fees are introduced in England. The Assembly will compensate Welsh HEIs for 'income foregone' through a supplementary income stream.
- A legal case being brought before the European Court of Justice by Mr D. Bidar will test whether non-UK European Union nationals should be eligible for maintenance support. The outcome could have profound implications in Wales if it operates a different system from that pertaining in England, making Wales a more attractive destination for non-UK EU students. However, this would at the expense of access and participation aspirations for Welsh-domiciled students.
- We present six options for a student funding regime: the Status Quo; a £2,000 Fixed Fee; the English Competitive Model; a Part-managed Variable Fee System plus National Bursary Scheme; a Differential Variable Fees for Welsh and non-Welsh domiciles plus National Bursary Scheme; and a £3,000 Fixed Fee plus National Bursary Scheme.
- Each model has strengths and weaknesses, a set of risks in terms of cross border flows, the research base, legal implications, agility to respond to changes in the market, and so on. Each needs to be costed to ensure that the balance of input from the public purse and from students, once they have reached a graduate premium in their earnings, is reasonable. The models are presented in terms of implications for full-time students: we still have to present each model in terms of their implications for part-time students, in all their diversity and according to different modes of study.'
- Our final report will make recommendations as requested by the Minister, drawing on the evidence, the views of the stakeholders and the input from the experts. The evidence will be published as technical appendices to the report.

1. Introduction

The *Higher Education Act 2004*, which received Royal Assent in July 2004, devolves responsibility for elements of Higher Education (HE) funding and student support to the National Assembly for Wales (NAW). Jane Davidson AM, the Education and Lifelong Learning Minister of the Welsh Assembly Government (WAG) set up a Review Group to advise her on sources of funding for HE and student support mechanisms. 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 (especially on equity issues).

The members of the Group were appointed by the Minister, in some cases on the basis of a nomination from a relevant body although they have not 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, and an academic economist from Scotland – both have broadened our understanding of the changing UK context on higher education funding and student support.

For many members of the Review Group, this was the second time that we had been invited by the Minister to deliberate on higher education issues. In December 2000, the Minister set up the Independent Investigation Group on Student Hardship and Funding in Wales, which reported in June 2001. In that report, 53 recommendations were made and we were pleased that most of them have been implemented. These included the re-introduction of student maintenance grants in Wales (the Assembly Learning Grants). We were particularly gratified that our recommendations that full and part-time higher and further education students should be eligible for these grants on a means-tested basis were brought in. We also recommended an increase in the resource made available for student support and the rationalisation of access and hardship funds in to a Financial Contingency Fund. We recommended too that the Assembly use its offices to encourage the Westminster Government to abolish up-front fees in favour of 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 benefited from the ‘graduate premium’ in terms of enhanced earnings, rather than when enrolling. This in effect helps to take the risk out of the student’s investment. We are pleased that this has been introduced by the *Higher Education Act 2004*. However, devolution of part of the funding of higher education and the student support system, while welcome, creates enormous difficulties given that Welsh HEIs are operating in a UK and indeed global market.

A well-funded, healthy and vibrant HE sector in Wales with excellent quality research and teaching is vital for promoting a prosperous, knowledge-driven economy and an inclusive 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 additional, adequate and sustained funding for Welsh HEIs is essential in order to allow the sector to compete effectively.

The Review Group is mindful of the diversity of institutions within Wales and their missions and of the range of types of student (in particular, the significance of part-time students) and their various modes of learning. We are conscious of the role of further education in delivering HE. We are also mindful of the need to protect the autonomy of Welsh HEIs to pursue their respective missions to the best of their ability. Cross border flows of students (and staff) are highly sensitive: a small increase or decrease in the proportion of students from England that decide to study in Wales, for example, can have a profound impact on HEIs here. We are mindful too of the priorities of WAG and take heed of the budgetary constraints under which it operates. The HEI sector needs to be cost effective but it also needs to retain the same unit of resource as the rest of the UK. We believe that student choices should be determined by what students *want* to study, rather than ‘basement bargains’, albeit within a framework that supports the needs of the Welsh labour market.

Drawing on these and other background contextual factors, including the aspirations set out in WAG’s policy documents such as *Reaching Higher*, 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 to focus the work, and shall be using them to judge the range of options on higher education funding, fee regimes and student support mechanisms. The Guiding Principles are set out in the next section.

The Review Group is committed to taking an evidence-based approach to the development of policy recommendations. We commissioned a literature review that examines HE funding, fee regimes and student support systems worldwide. It demonstrated that increasingly, internationally, the beneficiaries of higher education - society and graduates - are sharing its cost. We also commissioned three substantial new pieces of research - on the evidence on the changing graduate labour market; a study of attitudes towards participation in higher education in Wales; and a secondary data analysis of recent statistics on patterns of student participation in higher education. These will also be published in April 2005.

We are also committed to hearing the voices of those in the sector or affected by the work of HEIs. We invited written evidence from a considerable number of individuals and organisations. These included Higher Education Wales (HEW) and Welsh HEIs, Fforwm and 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 number and depth of the responses was impressive, demonstrating keen interest in this set of issues. The respondents are listed in Appendix II. A summary of the responses will be presented in the final report.

We have met with a range of relevant bodies. Some were private meetings; more often, we asked whether we could appear as an item on the agenda of a regular meeting of the body concerned and use the opportunity to sound out experiences, opinions and views on the questions posed in our brief. A list of individuals and organisations visited appears in Appendix III.

Finally, we presented a range of five options on the key issues to an invited audience of stakeholders, inviting their comments and suggestions for other alternatives. One further option was suggested by stakeholders; it has been worked up as a sixth alternative for this report. An afternoon session focused on part-time students and Welsh language provision. 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 delegates for their thoughtful contributions to the debate. A list of participants appears in Appendix IV.

A considerable number of people and organisations have, therefore, been involved directly or indirectly in our deliberations so far. We have been struck both by their serious concern about the sector becoming further under-funded, at the same time as their considerable fears concerning mounting student debt, the impact of debt aversion and cross border flows on access and participation. We have sought to take all of these views into account.

The next phase of our work is to give each of the options detailed below, and any others that we may develop a very detailed and considered appraisal. We should like to emphasise that all the options have strengths and weaknesses. However, some of the potential options, including ones that are preferred by some of the stakeholders, carry a range of very serious risks, not all of which are well appreciated. Indeed, we are not convinced that there is a wide awareness of the implications of, and risks attached to, some of the options. Some would impose a very heavy financial burden on the Assembly budget. Others may jeopardise the Assembly's ability to fulfil its aims of increasing access and participation of Welsh-domiciled students. Cross border flows are highly sensitive. The picture is financially and legally complex.

We should emphasise at this stage that we have no preferred option: we are still exploring their implications. There is a diversity of views within the Group as to the 'ideal' means by which higher education should be funded. A number of members, although not all, take the view that as HE is a public good and provides a wide societal benefit, tuition costs at undergraduate level should be paid for from public taxation. However, the Group as a whole is mindful of the terms of the HE Act 2004 as they relate to Wales but also as they relate to 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, those of individual students and those of Wales, within the structures and possibilities which presently pertain.

This progress report seeks simply to report on the work we have done so far to the Minister, and to Assembly Members and stakeholders, and to present some options that we are working on. In our final report, to be presented to the Minister in April, we shall be making a series of recommendations in response to our brief.

2. Our Terms of Reference

The terms of reference given to us by the Minister for Education and Lifelong Learning were as follows:

Aim

To produce by April 2005 a report, together with relevant evidence, designed to inform Assembly Government and HEFCW decisions about future policy towards student support and the financing of the higher education sector, and to make recommendations to the Minister for Education and Lifelong Learning notably 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 Study will advise the Minister as regards:

- The shape and responsiveness of the existing student support systems 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 higher education 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; and
 - the financial resources available to the Assembly for the short. Medium and long term.
- Modelling the implications, and especially the likely responses of students and institutions, wherever practicable and appropriate.’

3. Our Guiding Principles

Public funding for higher education 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 HEIs to fulfil, to the highest possible standards, their respective missions at international, national and regional levels;
- 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.

Our guiding principles on student support focus on promoting 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, such as 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 dependents, 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; and
 - is responsive to the needs of students from all parts of Wales, including those from geographically remote communities;

4. The Funding Shortfall of HE in Wales

It has been cogently argued that the HE sector is under-funded. International benchmarking certainly supports this. We have seen a considerable expansion in numbers of students and higher demands for quality research. However, investment in the sector has not kept pace with these trends. Indeed, there is general agreement that the two main activities of universities – teaching and research – both run at a loss. Hence we are seeing the closure of some science departments in the UK for cost reasons.

The Westminster Government is seeking to ensure that the full economic costing of research becomes a reality in the near future. However, that will only benefit HEIs that are successful in highly competitive bidding for research funding. This additional resource is likely to be concentrated in the universities that are world leaders in research. Teaching remains a heavily subsidised activity, even with the introduction of tuition fees. It is fair to say however, that in the recent past, in England and Scotland, the case for more investment in the sector has been made and heard. More resource is being invested in the sector. This is in addition to the move to variable fees in England. This is the context within which funding the Welsh HEI sector has to be viewed.

There is a compelling case for significant further investment in HE in Wales. This is not simply to keep pace with the rest of the UK. HEIs can be very significant contributors to the local economy of their area. Moreover the WAG *Reaching Higher* strategy document makes a clear commitment to developing Wales as a knowledge-based economy. This in itself cannot be achieved without significant investment in the sector. Indeed the opening paragraph of *Reaching Higher* states that:

Higher Education makes a vitally important contribution to increasing 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.

Calculations as to the funding shortfall for Welsh HEIs are inevitably complex and contested. Evidence produced for the UK as a whole at the time of the passage of the HE Bill through Parliament, and responses to the stakeholder consultation suggest, however, that the main agreed estimate on the funding shortfall for HE in Wales is HEW's 2004 Comprehensive Spending Review submission. This estimates the funding gap in Wales at an additional £20m recurrent funding per annum and £30m per annum capital. The next section reports on our consideration so far of possible sources of funding for Welsh HEIs and whether they are sufficient to meet this gap.

5. Sources of Funding for Welsh HEIs

Stakeholders identified the following *principal* sources of funding for HEIs:

- Public funding / HEFCW core grant;
- Research income, and;
- Fee income (including fees for overseas students).

Under the dual-funding system, universities are resourced principally through a core grant according to their performance in Research Assessment Exercises (RAE) and agreed students numbers, and through successful applications to Research Councils for research projects. Quality is key to both income for research and for teaching. Fee income from students, including overseas students is a third source. The sector is highly heterogeneous with different HEIs showing different patterns of income from the various sources.

The recent DfES White Paper (2003) stated that in future, research funds would be further concentrated in institutions that perform well in the RAE. For some HEIs in Wales, especially those whose mission concentrates more on teaching and promoting access and participation, this will adversely affect their chances of generating research income in this way.

Overseas students are another source of funding for HEIs. While the proportion of students from overseas has been increasing, in 2002/03, only 11% of first year students studying in Wales came from overseas, and were paying overseas student fees, compared with 15% in the UK.

Stakeholders were asked to identify other sources of funding to meet the shortfall but none were able to do so.

The Review Group has considered a range of potential other sources of funding. These include greater activity on the part of Welsh HEIs in generating funding from external funding bodies. However, this would not substitute for core funding. Externally funded research projects tend to support activities rather than infrastructure. Promoting greater levels of individual and corporate giving through a well administered alumni fund, endowments and charitable donations is another option. However, in the UK, the evidence shows that alumni funds tend to be concentrated in elite institutions, mainly through wealthy benefactors. Many Welsh HEIs receive nothing from alumni, and new universities in particular have very little scope to generate funds from such a source. HEIs could be further encouraged to continue to cut down on bureaucracy and limiting unnecessary overheads and waste. However, the increase in students and a very shallow gradient in terms of increase in resource has meant that HE has become an exemplar in achieving efficiency savings. We believe that there is very limited further saving to be gained here.

Hence, none of these potential funding streams look viable in helping to cover *core* costs and meet the funding gap. Each entail an opportunity cost and the range of realistic alternative funding options is therefore extremely limited. For a soundly financed sector, the main core funding sources are likely to remain the public purse in core funding and competitively funded research, and the student, supplemented where possible by externally funded projects that will resource research activities.

6. Key Issues

A funding regime that prevents the HE sector being well resourced would place Welsh HEIs at a substantial disadvantage within the wider UK and international HE context. A poorly resourced HE sector in Wales would further result in a loss in teaching and research staff from Wales to other UK institutions, particularly if the overall financial position of Welsh HEIs were to decline relative to England. Such a scenario could itself have further impacts upon the financing of Welsh HEIs through the lowering of institutional profiles over time, along with their capacity for producing high-impact research and generating related funding. This would reduce opportunities for lifelong learning, and for technology transfer to Welsh industry. In over-arching terms, 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.

At the same time, it is vital that the cost of HE is not a deterrent to potential students. A fine balance needs to be achieved between the investment made by the public purse and that made by the student. In particular, it is important that students are supported when they most need it, and are facilitated to study what they are interested in, wherever they want to study and on whatever basis. Class, income, gender, race and other factors should not restrict choice.

In considering the future of HEI funding, including student fees in Wales, we are taking into account a number of key factors. These factors centre on what will benefit students entering and graduating from HEIs in Wales, the long-term sustainability of HEIs in Wales, and the needs of Welsh society and its economy.

Supplementary Income Stream (SIS)

Currently, the fixed fee for students at Welsh HEIs is lower than the variable fee likely to be charged by the vast majority of institutions in England. The WAG has committed itself to making good the income “foregone”, at least for the first year. However, maintaining this SIS will result in significant additional costs to the Assembly budget. Moreover, this is a resource that could be used to supplement HE budgets, rather than being used as a substitute for income loss.

It seems clear that English HEIs are overwhelmingly likely to charge £3,000 although they will be offering bursaries and discounts to some students. For Welsh-domiciled students studying in England, WAG’s HE budget will be called upon to pay for fee-loans. Lower fees in Wales are likely to attract more non Welsh-domiciled students to Welsh HEIs. If Welsh HEIs experience an increasing deficit in resources this will further weaken their infrastructure, reducing their ability to recruit and retain staff, pursue high-quality research and teaching and attract potential students. Hence, they need to be resourced at the same rate as England.

The need for agility and flexibility

Owing to the heterogeneity of the sector, it is imperative that an agile, flexible and adaptable HE structure is created in Wales. Future funding arrangements should be aimed at ensuring that the HE sector in Wales can move from strength to strength, providing clear advantages for Welsh domiciled and Welsh HEI students as set out in *Reaching Higher*. The position and parity of Welsh HEIs within the broader UK

context needs to be maintained. Of equal importance is the issue of autonomy and flexibility for Welsh HEIs within the UK and international context. Whatever future system is in place, it is imperative that this does not lead to Wales becoming a 'poor relation' to our other UK and international counterparts in terms of income, course provision, teaching quality, attractiveness to potential students and perceptions of institutional quality. An agile and responsive HE sector needs to be developed in order for it to adapt to the increasingly competitive environment within which HEIs now operate. The sector in Wales needs in particular to be able to adapt to changes in policy introduced in England that are likely to have an impact on cross-border flows which would be detrimental to Wales.

The Bidar Case

The recent case of a French national, Mr Dany Bidar, has brought into question the eligibility of non-UK EU students to maintenance support whilst studying at HE in Britain. Currently, eligible non-UK EU nationals are entitled to support with higher education tuition fees. In this case, Mr. Bidar has claimed discrimination on the grounds of nationality in being denied a maintenance loan whilst studying for his degree at a UK HEI. His case is arguing that constitutional changes in the EU Treaty with regards to EU citizenship, and the bringing of educational support within the sphere of Community Law, mean that entitlements to educational support may fall within the purview of future EU law. The European Court of Justice is currently examining this matter. If this case were won by Mr. Bidar, then non-UK EU students would be eligible not only for fee remission, as at present, but also for maintenance support. Such eligibility might therefore have a significant impact on the WAG budget, if it had to provide extra funds for maintenance support for non-UK EU nationals. WAG will need to consider very carefully the implications of this case when it is finally settled.

When the Bidar case is likely to be settled there is the potential that Wales might be seen to offer relatively generous forms of support to non-UK EU nationals and would therefore become something of an educational 'haven'. While Welsh HEIs would surely want to welcome non-UK EU students, this could longer-term be taxing for the WAG budget. If similar provision is made in England especially, however, the relative attractiveness of Wales as a place of study will not change notably.

Student Support

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. This deferred payment of tuition fees would only commence when a specified earnings threshold has been reached.

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.

Student Choice

Students should be guided by their aptitudes and career ambitions rather than short-term, market driven choices. The student support system should facilitate choice as to where and what students study. The influences upon a learner's educational and labour market choices should be based around a "shine in the eye" and not a "carrot and stick" approach. We want to ensure that students do not feel they are being 'priced out' of certain courses and institutions of their choice, or forced to make choices on the basis of relative costs and accessibility. Students in Wales should be empowered and provided with as much flexibility as they need. Their choices should be demand led as opposed to market-driven. At the same time there needs to be a balance between informed student choices and the needs of the wider Welsh labour market. Given public investment in HE, student choices need also to be framed by labour market needs.

Above all, as the NUS has impressed upon us, simplicity is the key. It should be straightforward to find out at the time of application what financial outlay will be required. Student support systems should equally be simple, transparent, clear and fair for all.

Cross-Border Flows

Wales is a "net importer" of students - in 2002/3 over 18,000 Welsh-domiciled students studied in English HEIs, but over 25,000 students from England, Scotland or Northern Ireland were studying in Welsh HEIs. This means that 38% of Welsh domiciled first degree full-time students study in England and 48% of students at Welsh HEIs are from England. A minor fluctuation in these flows could cause a major problem to some institutions and/or to the Assembly budget. Two institutions near the border recruit part-time students from England. This has particular implications for the congruence of fee regimes and student support systems.

On the other hand, in terms of the destinations of graduates Wales appears to be 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 too severe 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 is looking to develop.

Part-Time Students

The position of part-time students is a very important issue in Wales, as was emphasised to us by the stakeholders. They comprised 49% of all first year students at Welsh HEIs in 2002/3. This is the highest proportion in the UK; moreover since 1998/99 the percentage of first year students studying part-time in Welsh HEIs has increased by over 10 percentage points. The Review Group has been especially

mindful of the needs of part-time students and the implications for them of different fee regimes. We note in particular that part-time provision in Welsh HE plays a major role in widening access strategies and in promoting broader policies for lifelong learning, which seek to make Wales a 'learning country'. However, part-time students constitute a very diverse population, and not enough is known about their characteristics and experiences. They are already charged variable fees: indeed HEIs have been able to promote flexible and accessible opportunities for part-time study because of their ability to vary fees for part-time courses. Some institutions in Wales have far more part-time students than others. We shall be reporting in more detail and making recommendations on part-time provision in our final report.

Access and Participation

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 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 these groups frequently need higher levels of support than other groups. Retention is equally important as recruitment. Whatever package of funding and support is recommended, therefore, must contribute to the objective of widening access to those groups of students who have traditionally been under-represented in HE.

Equality

The group has also been mindful, when considering the potential funding options for HE in Wales, of the need to focus on equality issues. We need to ensure that students have access to appropriate levels and means of student 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, faith, sexual orientation and social class. For example, we are concerned about the needs of 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. 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 funding regimes for the sector.

Welsh Language

The Welsh Language Board, the NUS and other stakeholders have impressed upon us the need to ensure that courses in the Welsh language are protected, and indeed that there is funding to expand provision to meet labour market needs. This implies ensuring adequate resource for new staff as well as curriculum materials.

Debt Aversion

At present, there is much loaded and emotive language around the issue of fees, and student loans, particularly around issues of debt accumulation and debt aversion, which influences attitudes on borrowing to finance HE. We found evidence of considerable concern about rising levels of student debt, but figures were often conflating different types of debts. For example, mortgages and other personal loans are not often included in such a discussion. 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, some of the fear of debt might be reduced. The focus needs to be on ‘investment by students’, rather than simply debt burdens, with more emphasis placed on the future returns of such investment, rather than simply the costs attached to it.

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 are 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. We also want to encourage more discussion of HE as an investment for the individual. We are at the same time mindful that HE is an investment for society.

We are mindful of the need for a meaningful, appropriate threshold for repayment linked to the graduate premium. The issue of the graduate premium is an important element of the current debate. HE as an investment rests upon an assumption that there will be a graduate premium. This underpins arrangements in England. The investment needs to come from the taxpayer and the student.

7. Some Options

In this section we present a range of options for HE funding in Wales, based primarily on support from taxpayers and students. We have sought to anticipate the implications of these models for the WAG budget and for students. However, each model has implications for the autonomy of HEIs, legal implications and financial implications. In addition there are risks associated with each model. These include the implications for cross-border flows of students and staff, student support measures and the effect on Welsh HEIs.

We have not as yet reached a final decision on a preferred model, and are aware that there may well be other models that might be preferable to any of these. They have been developed with considerable input from the sector, and with technical support from economists, lawyers and others, and give an indication of the complexities that we are facing.

Much of debate about HE funding focuses exclusively on fees, specifically a polarisation between fixed fees and variable fees. This was certainly the case during the passage of the HE Bill through Parliament in 2004. Popular press accounts enhance this polarisation by sometimes assuming that fixed fees do not necessarily imply an increase on the current level of £1,200 per annum. This is of course mistaken. Fixed fees could be set at any level, even above the £3,000 maximum that can be charged in England under the variable fee system. Part-time students in Wales have always been charged variable fees. The critical shift, as recommended in the report of the Independent Investigation Group on Student Hardship and Funding, from up front fees to end loaded income contingent payment is not well known, even among some stakeholders. We believe there needs to be as much focus on the issue of the critical issue of maintenance support for students as there is on tuition fee regimes. The 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 university with enormous 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 are developing and exploring a range of packages of measures, with the fee regime being only one ingredient.

As will be clear in what follows, one idea we are exploring is a National Bursary Scheme that would address some of the students' concerns about a simple and transparent system, and would avoid some of the competition developing among English HEIs on bursaries and discounts. We are also exploring ideas for more employer sponsorship of students.

The models are as follows:

- Model 1 The Status Quo;
- Model 2 £2,000 Fixed Fee;
- Model 3 English Competitive Model;
- Model 4 Part-managed Variable Fee System plus National Bursary Scheme;
- Model 5 Differential Variable Fees for Welsh and non-Welsh domiciles plus National Bursary Scheme, and;
- Model 6 £3,000 Fixed Fee plus National Bursary Scheme

It should be remembered that in all these models, fees are deferred, and paid when the graduate reaches an appropriate income threshold on an income-contingent basis. Up front fees have been abolished.

All of the models have implications for the WAG budget. While on the one hand it is important to ensure that students are not deterred from participating because of the cost, to them or their families; on the other hand it is important to be realistic about the use of a SIS from the WAG budget (discussed earlier) – in other words, the cost to the wider Welsh public.

The models are presented in terms of implications for full-time students: part of the work we still have to do is to present each model in terms of their implications for part-time students, in all their diversity and according to different modes of study. We are also still working on detailing the financial costs for each option. At this stage nothing has been ruled in or out, and there may be other models that people want to suggest in response to this document. However, we recognise that there is no model that would ultimately please all stakeholders.

The following section presents a brief summary, in the form of tables, of the main features and risks associated with each of the six options. Our final report will present, in greater detail, the main strengths and weaknesses of each model, as well as our final recommendations for the most appropriate fee regime and student support system for Wales.

	OPTION 1 – The Status Quo (fixed fee + extra funds from WAG)
Funding of Welsh HEIs	£1200 fixed fee. Supplementary Income Stream (SIS) to HEIs of £28m in AY 2006/07 rising to £73m in AY 2009/10.
Cross-border flows	Net increase of students from England into Wales likely because of lower fee levels. No net loss of teaching staff from Wales to England because overall financial position of HEIs in Wales would not decline relative to England, provided that SIS was met in full. Non-UK EU nationals could be attracted to Wales as place of study if fee support were to remain available.
Effect on Welsh HEIs	All institutions would be required to charge the same fee for all courses. Welsh HEIs would not be able to compete for students with English institutions providing similar courses by offering discounted fee rates. Welsh HEIs would have sufficient resources to introduce bursary schemes to provide additional financial support to students if they chose. Other effects on individual institutions would vary. Some may suffer loss of reputation & competitive position would decline because of perceptions about quality of lower cost degrees in Wales.
Welsh f/t students in Wales	Would pay the fixed fee of £1200. Student support package as described below. HEIs in Wales not required to provide bursaries, but could do so on a discretionary basis.
Welsh f/t students in England	Will pay variable fees charged by the institution up to £3000. Student support package as described below. Bursaries may be available at the discretion of the institution.
English f/t students in Wales	Would pay the fixed fee of £1200. Student support provided by DfES. HEIs in Wales not required to provide bursaries.
English f/t students in England	Will pay variable fees charged by the institution up to £3000. Student support provided by DfES. Poorest students will be eligible for minimum bursaries of £300 from institutions charging higher variable fees up to £3000 plus discretionary bursaries as agreed with OFFA..
Part-time students	No change since part-time fees are currently unregulated and vary between courses and institutions. Part-time students will not be eligible for fee loans to defer payment of fees. Student support package as described below.
Non-UK EU nationals	If fee remission grant were to be retained, non-UK EU nationals also eligible for fee support in Wales. Outcome of Bidar case in ECJ likely to bring student maintenance support within the scope of the EC Treaty.

<p>Full-time student support arrangements</p>	<p>Continuing students from AY2005/06 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.</p> <p>New students in AY2006/07 will be eligible for a means tested maintenance grant of up to £2,700 a year (incorporating the ALG grant). New students will also be eligible for maintenance and fee loans.</p> <p>A range of other grants will be available – Disabled Students Allowance, Travel Grants, grant in respect of a spouse or an adult dependant, Childcare Grant, Lone Parent Grant, Parents Learning Allowance, Vacation Grant for care leavers.</p> <p>Part-time students will be eligible to receive pro-rata fee grant and flat-rate course grant of £250.</p>
<p>Agility & responsiveness</p>	<p>Fixed rate fee could only be uprated by Assembly Regulations each year. Institutions would be dependent on SIS from the Assembly Government to maintain financial position and competitiveness. Amount and distribution of SIS determined annually by the Assembly Government. Little flexibility to respond to significant policy changes or market fluctuations except through institutions' bursary schemes.</p>
<p>Legal implications</p>	<p>Depends on continued use of powers in the THE Act 1998. HE Act 2004 not commenced in full. No fee plans required. No statutory bursary schemes required. May raise questions about long-term viability of £2700 maintenance grant for Welsh domiciled students studying at Welsh HEIs. If fee remission grant were to be retained, non-UK EU nationals also eligible for fee support in Wales. Outcome of Bidar case in ECJ is likely to bring student maintenance support within the scope of the EC Treaty.</p>

	OPTION 2 - £2000 fixed fee (+ extra funds from WAG)
Funding of Welsh HEIs	Fixed fee £2000 plus Supplementary Income Stream (SIS) of £28m in AY2006/07 rising to £34.3m in AY2009/10.
Cross-border flows	Net increase of students from England into Wales likely because of lower fee levels. No net loss of teaching staff from Wales to England because overall financial position of HEIs in Wales would not decline relative to England, provided that SIS was met in full. Non-UK EU nationals could be attracted to Wales as place of study if fee support were to remain available.
Effect on Welsh HEIs	All institutions would be required to charge the same fee for all courses. Welsh HEIs would not be able to compete for students with English institutions providing similar courses by offering discounted fee rates. Welsh HEIs would have sufficient resources to introduce bursary schemes to provide additional financial support to students if they chose. Other effects on individual institutions would vary. Some may suffer loss of reputation & competitive position would decline because of perceptions about quality of lower cost degrees in Wales.
Welsh f/t students in Wales	Would pay the fixed fee of £2000. Student support package as described below. HEIs in Wales not required to provide bursaries, but could do so on discretionary basis.
Welsh f/t students in England	Will pay variable fees charged by the institution up to £3000. Student support package as described below. Bursaries may be available at the discretion of the institution.
English f/t students in Wales	Would pay the fixed fee of £2000. Student support provided by DfES. HEIs in Wales not required to provide bursaries.
English f/t students in England	Will pay variable fees charged by the institution up to £3000. Student support provided by DfES. Poorest students will be eligible for minimum bursaries of £300 from institutions charging higher variable fees up to £3000, plus discretionary bursaries as agreed with OFFA.
Part-time students	Part-time fees are currently unregulated and vary between courses and institutions. However, HEIs might be under pressure to charge part-time learners a pro-rata fee comparable to full-time students to avoid increased cross-subsidy of part-time learning. The effect would be a considerable increase in part-time fees. Part-time students will not be eligible for fee loans to defer payment of fees. Student support package as described below.
Full-time student support	Continuing students from AY2005/06 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

arrangements	<p>assessed to make.</p> <p>New students in AY2006/07 will be eligible for a means tested maintenance grant of up to £2,700 a year (incorporating the ALG grant). New students will also be eligible for maintenance and fee loans.</p> <p>A range of other grants will be available – Disabled Students Allowance, Travel Grants, grant in respect of a spouse or an adult dependant, Childcare Grant, Lone Parent Grant, Parents Learning Allowance, Vacation Grant for care leavers.</p> <p>Part-time students will be eligible to receive pro-rata fee grant and flat-rate course grant of £250.</p>
Agility & responsiveness	<p>Fixed rate fee could only be uprated by Assembly Regulations each year. Institutions would be dependent on SIS from the Assembly Government to maintain financial position and competitiveness. Amount and distribution of SIS determined annually by the Assembly Government. Little flexibility to respond to significant policy changes or market fluctuations except through institutions' bursary schemes.</p>
Legal implications	<p>Depends on continued use of powers in the THE Act 1998. HE Act 2004 not commenced in full. No fee plans required. No statutory bursary schemes required. May raise questions about long-term viability of £2700 maintenance grant for Welsh domiciled students studying at Welsh HEIs. If fee remission grant were to be retained, non-UK EU nationals also eligible for fee support in Wales. Outcome of Bidar case in ECJ is likely to bring student maintenance support within the scope of the EC Treaty.</p>

	OPTION 3 - The English competitive model (variable fees / lead by HEIs / market driven)
Funding of Welsh HEIs	Variable fees up to £3000 plus Supplementary Income Stream (SIS) of £28m in AY2006/07 <i>decreasing</i> to £3.7m in AY2009/10.
Cross-border flows	No direct effect on pattern of cross-border flows. Will depend to some extent on decisions about fee protection for 2006/07 cohort, and relative attractiveness of fees + discretionary bursaries in Welsh and English HEIs.
Effect on Welsh HEIs	Institutions would be free to charge between £0 and £3000 for all courses. Institutions wishing to charge higher variable fees above a basic amount set by the Assembly in Regulations would require a fee plan approved by the relevant authority in Wales (likely to be HEFCW). Assembly Government would specify conditions, which HEFCW would impose on institutions in Wales with regard to content of fee plans. Fee plans might relate both to access/equality of opportunity and promotion of higher education in Wales. No net loss of teaching staff from Wales to England because overall financial position of HEIs in Wales would not decline relative to England.
Welsh f/t students in Wales	Would pay variable fees charged by the institution up to £3000. Student support package as described below. Institutions would be required to provide bursary support to certain classes of students.
Welsh f/t students in England	Will pay variable fees charged by the institution up to £3000. Student support package as described below. Bursaries may be available at the discretion of the institution.
English f/t students in Wales	Would pay variable fees charged by the institution up to £3000. Student support provided by DfES. Bursaries might be available at the discretion of the institution.
English f/t students in England	Will pay variable fees charged by the institution up to £3000. Student support provided by DfES. Poorest students will be eligible for minimum bursaries of £300 from institutions charging higher variable fees up to £3000, plus discretionary bursaries, as agreed with OFFA.
Part-time students	Part-time fees are currently unregulated and vary between courses and institutions. However, HEIs might be under pressure to charge part-time learners a pro-rata fee comparable to full-time students to avoid increased cross-subsidy of part-time learning. The effect would be a considerable increase in part-time fees. Part-time students will not be eligible for fee loans to defer payment of fees. Student support package as described below.
Non-UK EU	Fee remission grant is abolished so non-UK EU nationals will not be eligible for fee support.

nationals	
Full-time student support arrangements	<p>Continuing students from AY2005/06 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.</p> <p>New students in AY2006/07 will be eligible for a means tested maintenance grant of up to £2,700 a year (incorporating the ALG grant). New students will also be eligible for maintenance and fee loans.</p> <p>A range of other grants will be available – Disabled Students Allowance, Travel Grants, grant in respect of a spouse or an adult dependant, Childcare Grant, Lone Parent Grant, Parents Learning Allowance, Vacation Grant for care leavers.</p> <p>Part-time students will be eligible to receive pro-rata fee grant and flat-rate course grant of £250.</p>
Agility & responsiveness	<p>Institutions in Wales would have flexibility to adjust fee rates and bursary arrangements in response to significant policy changes or market fluctuations. Institutions would be less dependent on Supplementary Income Stream from the Assembly Government to maintain financial position and competitiveness.</p>
Legal implications	<p>Depends upon commencement of HE Act 2004. Assembly Government would have powers to set a basic or higher limit on variable fees; fee plans required only in relation to the higher amount.</p> <p>Maintenance grant of £2700 will be available to Welsh domiciled students irrespective of where they study.</p> <p>Powers to require statutory bursary schemes – either at institutional level, all Wales level or both.</p> <p>Fee remission grant is abolished so non-UK EU nationals will not be eligible for fee support.</p> <p>Outcome of Bidar case in ECJ likely to bring student maintenance support within the scope of the EC Treaty.</p>

	OPTION 4 – a part managed variable fee system (+ national bursary scheme)
Funding of Welsh HEIs	Basic variable fees up to £3000 plus Supplementary Income Stream (SIS) of £28m in AY2006/07 <i>decreasing</i> to £3.7m in AY2009/10.
Cross-border flows	No direct effect on current pattern of cross-border flows. Will depend to some extent on decisions about fee protection for 2006/07 cohort, and relative attractiveness of fees + discretionary bursaries in Welsh and English HEIs.
Effect on Welsh HEIs	Institutions free to charge between £0 and £3000 for all courses. Assembly Government would set only a basic variable fee cap. No fee plans required. Bursary scheme managed / co-ordinated at all Wales level by Assembly Government or by HEIs in Wales acting collaboratively and following criteria set by the Assembly Government. Bursaries follow the student. Institutions would be free also to provide their own bursaries in addition to the national bursary scheme. No net loss of teaching staff from Wales to England because overall financial position of HEIs in Wales would not decline relative to England.
Welsh f/t students in Wales	Would pay variable fees charged by the institution up to £3000. Student support package as described below. Would be eligible to receive support from national bursary scheme and institutions would be free also to provide bursary support to certain classes of students.
Welsh f/t students in England	Will pay variable fees charged by the institution up to £3000. Student support package as described below. Would be eligible to receive support from national bursary scheme and bursaries may be available at the discretion of the institution.
English f/t students in Wales	Would pay variable fees charged by the institution up to £3000. Student support provided by DfES. Bursaries might be available at the discretion of the institution.
English f/t students in England	Will pay variable fees charged by the institution up to £3000. Student support provided by DfES. Poorest students will be eligible for minimum bursaries of £300 from institutions charging higher variable fees up to £3000, plus discretionary bursaries, as agreed with OFFA..
Part-time students	Part-time fees are currently unregulated and vary between courses and institutions. However, HEIs might be under pressure to charge part-time learners a pro-rata fee comparable to full-time students to avoid increased cross-subsidy of part-time learning. The effect would be a considerable increase in part-time fees. Part-time students will not be eligible for fee loans to defer payment of fees. Student support package as described below.
Non-UK EU nationals	Fee remission grant is abolished so non-UK EU nationals will not be eligible for fee support. Outcome of Bidar case in ECJ likely to bring student maintenance support within the purview of the EC Treaty.

<p>Full-time student support arrangements</p>	<p>Continuing students from AY2005/06 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.</p> <p>New students in AY2006/07 will be eligible for a means tested maintenance grant of up to £2,700 a year (incorporating the ALG grant). New students will also be eligible for maintenance and fee loans.</p> <p>A range of other grants will be available – Disabled Students Allowance, Travel Grants, grant in respect of a spouse or an adult dependant, Childcare Grant, Lone Parent Grant, Parents Learning Allowance, Vacation Grant for care leavers.</p> <p>Part-time students will be eligible to receive pro-rata fee grant and flat-rate course grant of £250.</p>
<p>Agility & responsiveness</p>	<p>Institutions in Wales would have flexibility to adjust fee rates and bursary arrangements in response to significant policy changes or market fluctuations. Institutions would be less dependent on Supplementary Income Stream from the Assembly Government to maintain financial position and competitiveness.</p>
<p>Legal implications</p>	<p>Depends upon commencement of HE Act 2004. Assembly Government would have powers to set a basic or higher limit on variable fees; fee plans required only in relation to the higher amount.</p> <p>Maintenance grant of £2700 will be available to Welsh domiciled students irrespective of where they study.</p> <p>Powers to require statutory bursary schemes – either at institutional level, all Wales level or both.</p> <p>Fee remission grant is abolished so non-UK EU nationals will not be eligible for fee support.</p> <p>Outcome of Bidar case in ECJ likely to bring student maintenance support within the scope of the EC Treaty – statutory national bursary scheme could be open to non-UK EU nationals.</p>

	OPTION 5 – differential variable fees for Welsh & non-Welsh domiciles (+ national bursary scheme)
Funding of Welsh HEIs	Maximum £3000 variable fee for non-Welsh domiciles & maximum £2000 variable fee for Welsh domiciles studying at Welsh HEIs plus Supplementary Income Stream (SIS) to HEIs of £28m in AY2006/07 <i>decreasing</i> to £26m in AY2009/10. Or Maximum £3000 variable fee for non-Welsh domiciles & maximum £2500 variable fee for Welsh domiciles studying at Welsh HEIs plus Supplementary Income Stream (SIS) to HEIs of £28m in AY2006/07 <i>decreasing</i> to £15.7m in AY2009/10.
Cross-border flows	No direct effect on current pattern of cross-border flows. Will depend to some extent on decisions about fee protection for 2006/07 cohort, and relative attractiveness of fees + discretionary bursaries in Welsh and English HEIs. Might encourage Welsh domiciled students to remain in Wales to study.
Effect on Welsh HEIs	Institutions free to charge between £0 and £3000 for all non-Welsh domiciled students; £0 to £2000 or £2500 for Welsh domiciles. Difference between Welsh domiciled fee and notional full fee to be made good through continuing Supplementary Income Stream. Assembly Government would set only a basic variable fee cap. Fee plans not required. Bursary scheme managed / co-ordinated at all Wales level by Assembly Government or by HEIs in Wales acting collaboratively and following criteria set by the Assembly Government (could be monitored by HEFCW). Bursaries follow the student. Institutions would be free also to provide their own bursaries in addition to the national bursary scheme. No net loss of teaching staff from Wales to England because overall financial position of HEIs in Wales would not decline relative to England, provided that fee + bursary policies did not result in a funding gap between competing HEIs.
Welsh f/t students in Wales	Would pay variable fees charged by the institution up to £2000 or £2500. Student support package as described below. Would be eligible to receive support from national bursary scheme and institutions would be free also to provide additional bursary support to certain classes of students (at their discretion).
Welsh f/t students in England	Will pay variable fees charged by the institution up to £3000. Student support package as described below. Would be eligible to receive support from national bursary scheme and bursaries may be available at the discretion of the institution.
English f/t students in Wales	Would pay variable fees charged by the institution up to £3000. Student support provided by DfES. Bursaries might be available at the discretion of the institution.
English f/t students in England	Will pay variable fees charged by the institution up to £3000. Student support provided by DfES. Poorest students will be eligible for minimum bursaries of £300 from institutions charging higher variable fees up to £3000, plus discretionary bursaries, as agreed with OFFA..

Part-time students	Part-time fees are currently unregulated and vary between courses and institutions. However, HEIs might be under pressure to charge part-time learners a pro-rata fee comparable to full-time students to avoid increased cross-subsidy of part-time learning. The effect would be a considerable increase in part-time fees. Part-time students will not be eligible for fee loans to defer payment of fees. Student support package as described below.
Non-UK EU nationals	Fee remission grant is abolished so non-UK EU nationals will not be eligible for fee support. Outcome of Bidar case in ECJ likely to bring student maintenance support within the purview of the EC Treaty.
Full-time student support arrangements	Continuing students from AY2005/06 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. New students in AY2006/07 will be eligible for a means tested maintenance grant of up to £2,700 a year (incorporating the ALG grant). New students will also be eligible for maintenance and fee loans. A range of other grants will be available – Disabled Students Allowance, Travel Grants, grant in respect of a spouse or an adult dependant, Childcare Grant, Lone Parent Grant, Parents Learning Allowance, Vacation Grant for care leavers. Part-time students will be eligible to receive pro-rata fee grant and flat-rate course grant of £250.
Agility & responsiveness	Institutions in Wales would have flexibility to adjust fee rates and bursary arrangements in response to significant policy changes or market fluctuations. Institutions would be less dependent on Supplementary Income Stream from the Assembly Government to maintain financial position and competitiveness. WAG would have flexibility in determining criteria for National Bursary Scheme.
Legal implications	Depends upon commencement of HE Act 2004. Assembly Government would have powers to set a basic or higher limit on variable fees; fee plans required only in relation to the higher amount. Legal basis for discriminating between Welsh and non-Welsh domiciled students requires clarification. Maintenance grant of £2700 will be available to Welsh domiciled students irrespective of where they study. Powers to require statutory bursary schemes – either at institutional level, all Wales level or both. Fee remission grant is abolished so non-UK EU nationals will not be eligible for fee support. Outcome of Bidar case in ECJ likely to bring student maintenance support within the scope of the EC Treaty - statutory national bursary scheme could be open to non-UK EU nationals.

	OPTION 6 - £3000 fixed fee (+ national bursary scheme)
Funding of Welsh HEIs	Fixed fee £3000 plus Supplementary Income Stream (SIS) to HEIs of £28m in AY2006/07 <i>decreasing</i> to £0 by AY2009/10.
Cross-border flows	No direct effect on current pattern of cross-border flows. Will depend to some extent on decisions about fee protection for 2006/07 cohort, and relative attractiveness of fees & discretionary bursaries in Wales and England.
Effect on Welsh HEIs	All institutions would be required to charge the same fee for all courses. Welsh HEIs would not be able to compete for students with English institutions providing similar courses by offering discounted fee rates. Bursary scheme managed / co-ordinated at all Wales level by Assembly Government or by HEIs in Wales acting collaboratively and following criteria set by the Assembly Government (could be monitored by HEFCW). Bursaries follow the student. Institutions would be free also to provide their own bursaries in addition to the national bursary scheme. No net loss of teaching staff from Wales to England because overall financial position of HEIs in Wales would not decline relative to England, provided that fee + bursary policies did not result in a funding gap between competing HEIs. Other effects on individual institutions would vary. No loss of reputation or competitive position because of perceptions about quality because degrees in Wales would cost at least as much as equivalent courses in England. Some Welsh HEIs might need to offer substantial bursaries or other incentives to compete with comparable institutions in England which might offer lower fee rates.
Welsh f/t students in Wales	Would pay the fixed fee of £3000. Student support package as described below. The national bursary scheme would provide bursaries up to an equivalent amount determined by WAG.
Welsh f/t students in England	Will pay variable fees charged by the institution up to £3000. Student support package as described below. Bursaries may be available at the discretion of the institution.
English f/t students in Wales	Would pay the fixed fee of £3000. Student support provided by DfES. Bursaries would be available at the discretion of the institution.
English f/t students in England	Will pay variable fees charged by the institution up to £3000. Student support provided by DfES. Poorest students will be eligible for minimum bursaries of £300 from institutions charging higher variable fees up to £3000, plus discretionary bursaries as agreed with OFFA.
Part-time students	Part-time fees are currently unregulated and vary between courses and institutions. However, HEIs might be under pressure to charge part-time learners a pro-rata fee comparable to full-time students to avoid increased cross-subsidy of part-time learning. The effect would be a considerable increase in part-time fees. Part-time students will not be eligible for fee loans to defer payment of fees. Student support package as described below.

Non-UK EU nationals	If fee remission grant were to be retained, non-UK EU nationals also eligible for fee support in Wales. Outcome of Bidar case in ECJ likely to bring student maintenance support within the scope of the EC Treaty.
Full-time student support arrangements	Continuing students from AY2005/06 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. New students in AY2006/07 will be eligible for a means tested maintenance grant of up to £2,700 a year (incorporating the ALG grant). New students will also be eligible for maintenance and fee loans. A range of other grants will be available – Disabled Students Allowance, Travel Grants, grant in respect of a spouse or an adult dependant, Childcare Grant, Lone Parent Grant, Parents Learning Allowance, Vacation Grant for care leavers. Part-time students will be eligible to receive pro-rata fee grant and flat-rate course grant of £250.
Agility & responsiveness	Fixed rate fee could only be uprated by Assembly Regulations each year. Little flexibility to respond to significant policy changes or market fluctuations except through institutions' bursary schemes.
Legal implications	Depends on continued use of powers in the THE Act 1998. HE Act 2004 not commenced in full. No fee plans required. May raise questions about long-term viability of £2700 maintenance grant for Welsh domiciled students studying at Welsh HEIs. If fee remission grant were to be retained, non-UK EU nationals also eligible for fee support in Wales. Outcome of Bidar case in ECJ is likely to bring student maintenance support within the scope of the EC Treaty - statutory national bursary scheme could be open to non-UK EU nationals..

8. Conclusions

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'.

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.'

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.

Our main conclusion so far is that to achieve these aspirations, in the context of a UK/global market, we would not choose to start from here. The financial, legal, cross border flow implications of the various options are highly complex. None of the options are without its weaknesses and dangers. There is considerable work still to do. We are certainly not in a position to make a firm recommendation as yet. However, hopefully this report gives an indication of the progress we have made so far, the importance of the subject for stakeholders, and the extent to which we are seeking to ensure that we come up with the best recommendations we can for the HE sector, for students, and for the future of the Welsh economy and civil society.

Appendices

Appendix 1: Summary of Research Projects Commissioned

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 Higher Education, with special reference of Higher Education 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 Higher Education financing and make international comparisons. It further aimed to examine literature on the possible ways forward for student funding and the financing of Higher Education in Wales

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 Higher Education 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 Higher Education. 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 Higher Education 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.

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.

Appendix 2: Individuals and Organisations that Submitted Oral Evidence (Date Order)

Speaker(s)	Presentation	Date
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)	Introduction: New Role as Head of Higher Education Division	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

Appendix 3: Individuals and Organisations Visited by Group Members (Date Order)

REES REVIEW VISITS LOG

Event/Organisation	Date	Attendee	Purpose
NUS Conference	11/09/04	Darren McGinley, Teresa Rees	Annual Event
Glyn Jones Statitican 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	Judge Ray Singh	
Douro Event Portugal	.5/10/04	Maureen Woodhall / Ken Richards	Asked to attend and as presenters for European discussion on HE
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
Norwegian Church, Cardiff	30/11//04	Neil Surman / Rob Humphreys / Ken Richards	Arranged by NUS Aberystwyth to discuss Tuition Fees
Amanda Wilkinson (HEW)		Teresa Rees	Amanda Wilkinson recently appointed as Head of HEW
President WSU Bangor		Eleri Wynne Jones	
NIACE Management Group Cymru		Rob Humphries	
Cardiff University Student Union		Teresa Rees	
NEWI public lecture		Teresa Rees	
Alun Evans 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	10/11//04	Gerry Jenson	To explain the legal aspects of Fixed and Variable Fees

NUS DEMO	02/12/04	Teresa Rees / Darren McGinley (observers)	
TUC Wales (AUT/NATFE)	01/12/04	Teresa Rees / Felicity Williams / Gill Thomas	Open Dialogue with NATFE/AUT & GMB Unions
UACE Conference, Oxford University (part timers seminar)		Neil Surman / Rob Humphries	
Richard Davies Lynne Hamilton John Howells (WAG)		Teresa Rees	Open dialogue on Graduate Apprenticeships
Swansea Student Support Sabbatical Officers		Teresa Rees	Meeting on Stakeholder response from DfTE
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	Presenter at December panel meeting	
Higher Education Wales	27/01/05	Teresa Rees / Neil Surman	

Appendix 4: 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 5: Review Group Members - Biographies

Professor David Bell MA MSc PhD FRSE

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 Assistant Principal at Coleg Llandrillo Cymru. After graduating from the University of Wales, Bangor she worked in Brazil and the West Indies as a Fisheries Biologist, completing a Masters in Agriculture and Fisheries Management at the University of Stirling during this period. At College Llandrillo she is very involved in the development of Access to Higher Education and Return to Learn programmes.

Mr Darren McGinley

Darren is the President of the Student's Union at Trinity College Carmarthen, a post he has held since the academic year 2003/04. 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 BA PhD FRSA CBE AcSS

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 & 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 worked for local government since 1974 after short periods in 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. Eileen has also been treasurer of the South Wales Miners' Eisteddfod since 1984.

Ms Felicity Williams FIBMS, CMS

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

Maureen Woodhall has an MA from the University of Oxford, where she studied Philosophy, Politics and Economics, and in 2001 she was awarded a PhD (by published work) by the University of Wales. 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 for many years 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.

Ms Eleri Wynne Jones

Eleri Wynne Jones is a retired lecturer at the University of Wales, Bangor. In a varied career, she has worked as a journalist, counsellor and director for Channel 4 and S4C. 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. In 2002 she was made an honorary fellow of the University of Wales, Bangor.

