

## 2024-25 Pre-Budget Submission

25 January 2024

The Innovative Research Universities (IRU) welcomes the opportunity to provide input for the 2024-25 Federal Budget. This year's Budget provides a critical opportunity for government to respond to the final report of the Universities Accord panel and to begin a longer process of essential reforms that will set up Australia's higher education and research systems for the decades ahead.

The IRU supports the case made by Universities Australia in its Pre-Budget submission for effective and sustainable government investment in the university system to boost productivity and inclusive economic growth. A strong and innovative university system is essential for Australians to have the skills to meet current workforce needs and also the new knowledge to create the jobs of the future.

The Universities Accord represents the most significant review of the Australian university system in 15 years and the need for significant reform is clear. In the wake of the COVID-19 pandemic and major demographic, technological and geopolitical shifts, universities need a stable foundation of public policy and funding. Across the country at the start of 2024, universities face challenges with both domestic and international enrolments. There is not a moment to lose – funding reform should start in this year's Budget.

In its submission to the Universities Accord process in April 2023 (available [here](#)), the IRU made 28 recommendations to achieve five key goals for Australia. Achieving these goals will ensure that our university system is future-ready and will maximise the ability of universities to deliver for the national interest and for communities right across the country:

1. A more equitable higher education system, to improve social cohesion and provide opportunity for all.
2. A more balanced research system, to deliver the sovereign capabilities that Australia will need for the future and to maximise the translation of knowledge for the public good.
3. Indigenous self-determination, with higher education and research playing a central role in building community capacity and supporting the next generation of Indigenous leaders.
4. A confident approach to engagement with the nations of the Indo-Pacific, strengthened through long-term education and research partnerships.
5. A system that fosters innovation and diversity, with each university focusing on its distinct mission and community.

These goals are informed by the shared values and priorities of the *IRU Strategy 2022-27*, which focuses shared effort on continuing to expand access and participation in the higher education system, supporting innovative research that delivers impact for communities, and strengthening engagement with international partners in the Indo-Pacific region.

This submission focuses on specific measures that the Australian Government should include in the 2024-25 Budget to commence a process of policy and funding reform, and to make the most effective use of the significant investments already made by government in education and research.

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We acknowledge the progress that has already been made – for example in the government’s response to the Universities Accord Interim Report in 2023 – to deliver on the goals set out above. The universities in the IRU are committed to working constructively with government towards the shared goal of a more equitable and innovative Australia. We appreciate the opportunity to provide further input on next steps and key priorities for the 2024-25 Budget.

#### *Priorities for higher education and students*

The IRU welcomes the government’s commitment to a strong and diverse higher education system, and to the funding of additional university places and the focus on equity through the Accord. Further significant reforms are needed to ensure that the higher education system can deliver the graduates needed to meet the future skills needs of the Australian economy and society, and to meet targets for participation by students from under-represented backgrounds and equity groups.

In its recent five-year study *Advancing Prosperity* (2023), the Productivity Commission found that Australia has not yet “reached the point where the cost of education for additional students outweighs the benefit to them and society”. The Commission noted that existing funding through equity programs (such as HEPPP) is insufficient and that future demographic growth is “insufficiently factored into planned funding growth” for higher education.

The IRU agrees that a primary focus for the Universities Accord should be to address unfinished business for a more equitable higher education system. This will require additional public funding. International evidence clearly shows that government investments in higher education and research deliver both economic and social returns to the nation, through reduced inequality, improved social cohesion, increased diffusion of innovation, improved outcomes in health and wellbeing, and reduced reliance on government support payments.

Previous policy reforms (such as through the Job-Ready Graduates package) have increasingly shifted the cost of higher education from government to individual students. Detailed IRU analysis of options for reform ([link](#)) clearly shows that the JRG package exacerbates inequalities between different groups of students, disadvantaging female and Indigenous students. JRG reform is urgently required in order for broader equity targets to be able to be met. IRU principles for JRG reform are that:

- Funding for student places in higher education should continue to be a mix of public and private contributions, with student contributions supported by an effective and equitable HECS-HELP system. The overall balance between government and student contributions should not exceed 50:50, reflecting the significant public benefits that accrue from public investment in higher education.
- Given variation in the cost of delivery for different courses/institutions, and in graduate employment outcomes for students, there should continue to be a system of differentiated government and student contributions, rather than one flat rate. The current system should be simplified.
- Student contributions should be aligned with graduate employability and government contributions aligned with the cost of delivery, with universities funded for the total cost of teaching each course, including supporting the research mission.

The IRU agrees with the Accord Interim Report that a new funding model is needed for universities. To allow for greater differentiation and diversity across the higher education system, funding should be attached to institution-specific, mission-based Accord agreements that are tailored to community

need and population dynamics. Funding for existing programs (such as HEPPP, IRLSAF and NPILF) should be consolidated and allocations to universities through Accord agreements increased where required to meet agreed equity targets. Within an agreed envelope, universities should be given more flexibility to allocate funding to address need (for example offering additional enabling places) and should be held accountable for student success, with transparent public reporting on outcomes.

The proposed Tertiary Education Commission would be responsible for taking a system-wide view of progress towards agreed national targets. The IRU does not support a levy on university revenue to fund new programs, but it does support discussion of redistribution of public funding to areas of greatest need. When determining allocations through institution-specific Accord agreements, the Tertiary Education Commission could take into account other sources of non-government revenue that universities have access to, to inform decisions about priorities for government investment.

This should also extend to analysis of opportunities to re-direct existing government funding for education to areas of greatest need. IRU analysis of the 2022 Budget papers showed that Australian Government funding for private schools (as a share of total Australian Government spending on education and training) increases over the period 2016-26 from 32% to 37%, while funding for universities declines over the same period from 28% to 22%. Under the current system, fully funding all Commonwealth-supported places in higher education (i.e. removing the need for student contributions) would cost approximately an additional \$6 billion per year, but this is less than half of what the Australian Government currently contributes to private schools. Other opportunities to redistribute funding could include government support for infrastructure in education institutions.

Increasing equity and student success will also require reforms that go beyond government funding for universities – the ability of students to participate in higher education depends on a range of factors including cost of living, income, accommodation, time and caring responsibilities. This requires a broad range of support, including Centrelink programs and access to affordable childcare. The IRU recommends that government undertake a comprehensive review of all student income/support programs, to ensure that they are adequate to deal with inflation and cost of living pressures. This should have a particular focus on Abstudy – support payments should be available at the same level to all Indigenous students. The IRU also recommends that government take immediate action in the 2024-25 Budget to provide paid support for compulsory work placements (for example for teaching and nursing students) as recommended in the Employment White Paper. We note the evidence provided in the Universities Australia submission that (in a 2023 survey) 87% of students experience difficulties meeting basic living costs during their placements.

The IRU supports the proposal for a new National Student Ombudsman, to clarify a single approach to independent oversight and the handling of complaints. However this will need to be implemented carefully, given the existing powers and responsibilities of the Tertiary Education Quality and Standards Agency (TEQSA), the Department of Education, existing State and Territory bodies and the proposed new Tertiary Education Commission. The IRU recommends that government commission a comprehensive review of university regulation and reporting, to ensure clarity of accountability, and to remove administrative overlap and free up resources for teaching and research.

#### *Priorities for research and innovation*

The IRU welcomed the government's commitment in 2023 to implement all ten recommendations of the independent review of the Australian Research Council (ARC). For the ARC to succeed in delivering on its newly expanded role, additional government funding will be required, both for the

ARC and for the broader research system. For example, the IRU welcomes the commitment to “expanding Indigenous knowledge systems” but this cannot be achieved without additional support. The IRU has recommended additional funding be allocated to Indigenous-led research so that 5% of total ARC funding goes to Indigenous researchers (to match the 5% target set for the Medical Research Endowment Account).

The review of the ARC also recommended a new national approach to the assessment of research quality and impact, which the IRU supports. In its submissions to the ARC Review and Accord process, the IRU has consistently argued for a more proactive national approach to research translation and impact, that goes beyond evaluation and assessment to encourage and support researchers to consider the broader impacts of their work and to partner with the broadest range of end-users to facilitate knowledge translation. This cannot be adequately resourced through the further reprioritisation of the existing ARC budget – this particular recommendation has been referred to the Accord process for consideration and would need to be accompanied by dedicated funding through the government’s response to the final Accord report in the 2024-25 Budget.

The IRU has also recommended that existing research commercialisation funding programs should be amended to support broader collaboration and translation with partners in the public and community sectors, as well as in industry.

For the ARC to be able to deliver on its critical role in the research system, further reform will also be required to the Research Block Grant (RBG), given that Australian universities operate in a dual-funding system. The IRU recommends that RBG be based on total research funding provided through the Education portfolio at a rate of no less than 50 cents in the dollar. The government’s response to the final Accord report should also include a whole-of-Australian Government agreement on funding the indirect costs of research, so that support from other government portfolios covers the full cost of research and avoids further erosion of RBG and the dual-funding system. The 2024-25 Budget should commence a pathway to this new funding model over the forward estimates.

The IRU agrees with the recommendation in the Accord Interim Report for a national approach to research training and research workforce planning. Without increasing support for early-career academics, there will not be the university workforce required to teach increasing numbers of students envisaged in the Accord’s plan for future growth to meet national skills needs. As part of the comprehensive review of student support recommended above, government should ensure that PhD stipends and career pathways for early-career researchers provide sufficient support to address cost of living pressures.

#### *Priorities for international engagement*

Recent policy work on international education has centred on the post-COVID recovery and Australian Government’s migration strategy, with a focus on inbound students. This should be balanced with a renewed focus on the contribution of university education and research to building long-term partnerships in the Indo-Pacific region, and to broader foreign policy and development priorities. Building on the success of the New Colombo Plan, there is an opportunity for universities and government to work together to broaden opportunities for mobility and partnerships with key partners in our region (for example, extending opportunities for PhD students and academics to build the next generation of international research connections). This should also address the gaps left by the cutting of funding for the valuable Endeavour program of scholarships and fellowships.

The IRU has developed a costed proposal for a new program to strengthen collaboration and partnerships with universities in Pacific Island Nations. Data from Universities Australia shows that IRU member universities have more existing partnerships with Pacific universities than any other group of Australian universities. The IRU proposal includes two components:

- A pilot program in partnership with the University of the South Pacific (USP) to strengthen staff mobility to Pacific campuses (putting Australian academics and professional staff from IRU universities on the ground across the region);
- and a new partnership between IRU universities and a consortium of Pacific universities to build the networks for the next generation of Australia-Pacific research collaboration.

This model could then be expanded to include more universities over time.

For a modest initial investment from government of \$1.365m p.a. over four years, the proposed program would strengthen collaboration in teaching and research between partner universities; support the building of capacity in Pacific institutions; develop greater alignment in research collaboration between Pacific priorities and Australian strengths; and demonstrate deeper commitment to the Pacific region through education and research, in line with the Australian Government's International Development Policy and 2050 Blue Pacific Strategy.