Innovative Research Universities Australia

Review of the impact of the
Higher Education Support Act 2003

Response to Discussion Paper

Funding Cluster Mechanism and the
Pipeline Arrangements for funding of new
Commonwealth supported places

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INNOVATIVE RESEARCH UNIVERSITIES AUSTRALIA

Flinders University • Griffith University • La Trobe University
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IRU Australia Response to Discussion Paper – Funding Cluster Mechanism and the Pipeline Arrangements for funding of new Commonwealth supported places

Overview

The Australian university sector has long argued that the revenue stream provided by the combination of Commonwealth grant amount and the student contribution amount fails to meet the true cost of course provision, leaving a funding gap which varies from discipline to discipline. This funding gap is offset in a number of ways including internal cross subsidies between disciplines and supplementation from international student fee income. Some observers would argue that students ultimately pay for the shortfall through a diminished standard of educational facilities, resources and services.

It is therefore unfortunate that Stage 1 of the Review of the impact of the *Higher Education Support Act 2003* does not address this critical issue and has some other major limitations. First, the scope of the Review is limited by its acceptance of the overall level of total funding available through the CGS, which therefore allows only for shifts in relative funding between disciplines. Second, the Review accepts the notion of approximate costs as the basis for discipline funding and does not address the more fundamental question as to what the real costs might be. A funding model that is based on little more than approximate costs is seriously flawed and this logic holds true irrespective of views held about the adequacy of that funding. A new funding framework that accurately reflects the true cost of course provision is much needed.

The current model also lacks the flexibility needed for institutions to respond quickly to changing circumstances such as patterns in student demand. If a funding approach that revisits the real cost of all disciplines is not currently under consideration, a more flexible administration of the current mechanism is the preferred short-term alternative.

Greater flexibility allowing greater institutional capacity to manage the diversity of programs and the mix of students could be achieved almost immediately in a number of ways:

- Reduction in the number of funding clusters;
- Through increased ability to move student places between disciplines, programs/courses and levels of study;
- More tolerance allowed for under and over enrolments; and
- Ability to rapidly shift a specified proportion of GCS funding into new areas of strategic significance.

Any revisions to the funding model, including the funding cluster mechanism and pipeline arrangements, should continue to provide stability both for the Commonwealth and institutions. A more flexible and pragmatic model would recognise the challenges faced by universities as they attempt to strike a balance between the continuous change in educational offerings and activities, changing demand patterns from students and employers, and substantial and rising costs in a rapidly changing operating environment.

Factors Relevant to the IRU Australia Universities

The rigidity of the current funding model challenges the universities within the IRU Australia grouping on a number of fronts. Our members are medium-sized, research-intensive, multi-campus universities with outer metropolitan and in several cases regional coverage. All members of the IRU Australia were rewarded under the Learning and Teaching Performance Fund 2007 while member universities received approximately 25 per cent of the Carrick Awards for Australian University Teaching 2006 – reflecting our strong commitment to excellence in learning and teaching.

This excellent performance is achieved despite the learning and teaching challenges confronting IRU Australia universities:

- Multi-campus issues associated with team teaching, provision of subject offerings, resource sharing and consistency of standards across institutions;
- High proportion of students from equity backgrounds or from first generation university households;
- An older student profile – many of whom both work and study full and/or part-time and have family responsibilities; and
- Regional campuses and facilities, which are not funded to stand alone and often need to be cross-subsidised by the larger metropolitan campuses.

The IRU Australia universities have a strong commitment to servicing students from diverse backgrounds and this means that the above factors are part of our mission and operating environment. But it should be acknowledged that life is simpler for large, well-established, predominantly single campus universities with inner-city locations, which mainly draw from school leaver applicant pools with higher tertiary entry scores.

The funding model should reflect this reality and until it does, then the much-sought institutional diversity is unattainable. If however the development of a more sophisticated multi-faceted model that recognises the true complexities in cost of course provision is not possible then greater flexibility in the application of the current model should surely be the aim.

A more accurate, transparent funding cluster arrangement

The discussion paper asks whether current funding clusters adequately reflect discipline relativities? The answer to that question is that no one knows until an independent study is conducted into the real costs of course provision at the discipline level. The cost of university course provision is affected by a range of factors to do with the institution, the student, the discipline and course mix. The cost of teaching the same course in two institutions might vary widely depending on institutional and student factors. However many of the increasing costs relate to aspects of course delivery that apply across disciplines such as salaries, IT, journal subscriptions. Therefore a study that seeks to accurately identify the cost of each discipline on a sector-wide basis without taking all the variables into account is bound to fall short as a long-term solution. Such a study could at best identify the range of costs associated with the provision of each discipline according to associated student and institutional variables.

In any scenario it is likely that fewer funding clusters would be an improvement on the present number – possibly four or five. Attention is drawn to the **Higher Education Funding Council for England**[1] price groups:

Price group	Description	Cost weight
A	The clinical stages of medicine and dentistry courses and veterinary science	4
B	Laboratory-based subjects (science, pre-clinical stages of medicine and dentistry, engineering and technology)	1.7
C	Subjects with a studio, laboratory or fieldwork element	1.3
D	All other subjects	1

[1] Higher Education Funding Council for England (2006), *Funding higher education in England: How HEFCE allocates its funds*, http://www.hefce.ac.uk/Pubs/hefce/2006/06_17/

This is an inherently simpler model and yet in some respects more sophisticated as it assigns 'prices' according to the resource requirements needed for types of teaching rather than by discipline group.

Having weighted the student numbers by their subject price group, HEFCE then applies further weightings to take account of student and institutional factors – not dissimilar to the regional, enabling and medical loadings currently provided in Australia. The student and institutional 'premiums' for 2006-07 include part-time student loading, London weighting, small institution premium and one for old and historic buildings. It could be argued that similar premiums in Australia could apply for multi-campus institutions and for part-time student load.

The submission to this review from one IRU Australia member institution, Griffith University[2], demonstrates that it is possible to collapse the 12 funding clusters down to five but that this might require the student contribution rates for education, humanities and nursing to increase by up to one-third to maintain financial neutrality for both the Commonwealth and institutions. An alternative is for there to be 12 student contribution rates matching the 12 funding clusters.

Whatever model is chosen, the most important fundamental is to produce one that comes closer to funding the full cost of course provision without relying on the international student fee income and cross subsidies to cover the funding shortfall.

Assigning disciplines to clusters

The discussion paper also asks whether individual disciplines are placed in appropriate clusters. As outlined in the previous section, all individual courses/units within all disciplines carry differing costs based on variables such as institutional setting, student mix, and staffing arrangements. The costs of the same course/unit within the same discipline will vary between institutions based on local factors. In practice each university receives its Commonwealth grant amount and then allocates it according to an internal budget model, which allows for institutional specific factors – highlighting the mismatch between the funding arrangements and actual costs. Whether alignment could ever be achieved between Commonwealth funding levels and the true cost of course provision is highly debatable.

The key however to developing a new and workable funding model is to avoid the undesirable consequences of placing specific disciplines in particular clusters. The main consequence is cross subsidisation from low cost, high throughput disciplines to high cost disciplines. Until individual disciplines are more appropriately funded and individual university circumstances properly accommodated then Australia will never see the proper alignment of Commonwealth funding arrangements and institutional strategic priorities.

Funding single discipline universities

Although the Discussion Paper does not cover the issue of single discipline universities, the IRU Australia nonetheless wishes to emphasise that an effective funding cluster mechanism should not be seen as an enabler for the development of single discipline universities. Recent analysis provided by Professor Nian Cai Liu[3] from the Shanghai Jiao Tong University reveals that out of the Top 15 nations represented on the Shanghai Jiao Tong Top 500 list, Australia has the highest proportion of universities with a 'balanced' disciplinary orientation, followed closely by Italy, Canada and the UK. This is a clear outcome of the long-term funding university arrangements in Australia, which have discouraged disciplinary specialisation to the degree evident in several other countries.

[2] Griffith University (2007), *Submission to Stage 1 of the Review of the impact of the Higher Education Support Act 2003*

[3] Cheng, Y. and Liu, N.C. (2006), *A first approach to the classification of the top 500 world universities by their disciplinary characteristics using scientometrics,* Scientometrics, Vol. 68, No 1 (2006) 135-150.

At the other end of the spectrum, the only Top 15 nation where greater than 10 per cent of institutions represented in the Top 500 are largely single discipline, or 'focused' universities, is China with an astonishing 38 per cent. Other nations with fewer entrants on the Top 500 list, which also have a high proportion of 'focussed' institutions, are Russia, India, Taiwan, Hong Kong, and Hungary. But as the paper then points out:

> *"About 61% of the top 200 institutions have balanced disciplinary characteristics whereas only about 41% of the institutions ranked in the range of 301-500 have balanced disciplinary characteristics. On the other hand, only two of the top 100 universities in the world have disciplinary focuses whereas 10% of the institutions ranked in the range of 401-500 have disciplinary focuses."*

This analysis suggests that nations such as the US, China, India, France and the UK, which are large and/or wealthy or have state-controlled economies, tend to be most successful at developing single discipline universities but even these are rarely competitive on the world stage.

This research indicates that it might be unwise for a nation such as Australia to aspire to create more than a couple of 'focussed' universities if we aspire to world class status and that the comprehensive or 'balanced' approach is largely responsible for Australia's success in having 16 of its universities listed in the Top 500 (or top five per cent of world universities). This research is highly relevant to the current debate as it suggests that developing a funding mechanism based on identification of accurate discipline costs is probably best not conflated with the policy desire to encourage single discipline universities. The 'balanced' or some might say 'comprehensive' approach to funding higher education in this nation has assisted Australia's high standing in world lists of universities.

This analysis suggests that the key to improved funding of universities in Australia could be achieved by combining three simple principles:

- Better funding;
- More fine-tuning of the disciplinary cluster rates; and
- Additional flexibility for universities to respond to sudden change.

Introducing flexibility into the Model

As proposed in the opening section of this submission, greater flexibility could be achieved almost immediately in a number of ways:

- Reduction in the number of funding clusters;
- Through increased ability to move student places between disciplines, programs/courses and levels of study;
- More tolerance allowed for under and over enrolments;
- Ability to rapidly shift a specified proportion of CGS funding into new areas of strategic significance; and/or
- Negotiated weightings in areas of university specialisation or differentiation.

There is a lack of alignment between the Commonwealth Grant Scheme and institutional strategic planning. Within certain parameters, for specific purposes or courses, universities should be allowed to determine the funding weighting required to allow differentiation, specialisation or to maintain a regional presence. Unlike current arrangements where Universities set internal weightings based on cross subsidization, for this portion of load DEST would use the institution negotiated weighting in calculation of the university's total weighted load (WEFTSL).

The measures indicated above are not intended in any way to diminish an institution's social contract with Government and society to provide a steady flow of graduates in priority areas and to properly account for public revenues.

Examples where such flexibility might prove beneficial to the institution, the Government, employers and students include:

Case #1

A university has noted from law graduate feedback that a number of graduates have failed to find employment in areas where openings were recently readily available while there appears to be increased demand from industry for biological sciences graduates. It chooses to shift 25 law places into science to provide 15 new places in an innovative industry-linked 'Dean's program' designed to attract more high-achieving students into a particular area of science. Three years later, demand for the legal graduates has picked up and the places are transferred back to meet employer expectations.

Case #2

In response to a sudden downturn in demand for foreign languages study despite strong employer demand (e.g. Chinese language post Tiananmem Square protests of 1989 or more recently Indonesian), an institution wishes to channel funding for 10 new first year places into HECS remission scholarships to encourage 20 well-qualified first year students from feeder courses to pursue language study.

The cases illustrate that the magnitude of flexibility required to achieve a more even balance is not enormous and might be possible if tolerance limits were set at ±10 per cent for movement of load between disciplines and at ±five per cent for meeting overall funding targets.

Funding the clinical component

The discussion paper concentrates attention on the health disciplines, particularly nursing, however the following points also equally apply to the practical component for education and in some cases the increasing number of work-integrated learning components of programs in science, engineering, behavioural and social science, business and law. Both for clinical and practical components, the major challenge confronting institutions is to locate a sufficient number of high quality placement opportunities. The sourcing of placements is a very costly process requiring significant investment by universities in employing placement coordinators to manage these complex arrangements.

The difficulties experienced are most acute for education and nursing due to the numbers involved. Reports from member institutions suggest that the Commonwealth's increased payments for practical placements in education and nursing have been warmly welcomed but fall well short of meeting the charges for higher education student placements imposed by State education and health departments.

In the case of all the allied health disciplines, the IRU Australia therefore supports recommendation 5.3 of the Productivity Commission's 2005 report[4] on *Australia's health workforce*:

> As a matter of priority the Council of Australian Governments should establish a high level independent taskforce to:
>
> - collect and assemble comprehensive and nationally consolidated data and information on: the demand for clinical training across all health professions; where it is being provided; how much it costs to provide; and how it is being funded; and
> - in the light of this information, recommend specific changes to facilitate more transparent, coordinated and contestable clinical training arrangements, including through:
>   - a more appropriate allocation of clinical training costs according to the benefits accruing to the various parties;

[4] Productivity Commission (2005) *Australia's health workforce*, research report, Canberra, http://www.pc.gov.au/study/healthworkforce/finalreport/healthworkforce.pdf

- greater reliance on explicit payments to those providing infrastructure support or training services, within the context of a system that will continue to rely on, and benefit from, considerable pro bono provision; and
- removal of regulatory or other barriers that impede the development of contestable delivery or otherwise impede the efficiency and effectiveness of clinical training outcomes.

Pipeline Arrangements

As noted in the discussion paper, the methodology uses notional commencing and continuing places which provides the institution with the flexibility to manage within the total allocation of load. The IRU Australia agrees with the discussion paper that there is significant risk in moving to a model based on differential pipelines and in doing so the simplicity and transparency of the current model might be lost (except in limited cases eg graduate entry medicine). The IRU Australia would therefore support retaining the current standard pipeline arrangements.

The mix between the Commonwealth grant amount and the student contribution amount

The Australian Vice-Chancellors' Committee has also raised the issue of the mix between the Commonwealth grant amount and the student contribution amount. The IRU Australia universities share the view held widely across the sector that there is a strong case for the mix to be re-examined. The current mix is entirely arbitrary and a comprehensive review needs to be commissioned to examine what the right balance should be, taking into account various market factors.