

Report of the Base Funding Review

The base funding review report is a significant analysis of the complex questions about how best to support high quality education in our universities. The IRU is considering the report in detail to understand all its proposals for reform both individually and in operation together. This will form the basis for our engagement with the Government and other interested parties over 2012 and beyond.

Some initial analysis follows.

The need for additional investment

The Report demonstrates the need for additional investment in universities if they are to provide high quality learning outcomes for students across the wide range of disciplines and professions Australia needs for its workforce. In particular, the Report highlights the changing nature of teaching and the resources required to meet current expectations and requirements. Comparisons with previous funding levels have little meaning.

The report identifies a range of ways in which additional investment should be allocated. These provide the basis for continued argument for the 10% increase to base funding the Bradley Report recommended. So far the low SES loading provides an additional 3% and the remnant element of reward funding within the Performance Funding program perhaps an additional 0.5%.

Updating the discipline clusters

The report proposes that the discipline clusters be collapsed into five, to simplify funding arrangements. It identifies particular discipline clusters as under-funded, including the lowest resources areas covering law, business, and the humanities. It considers no cluster under-funded. The recommendations provide the basis for a simpler, better resourced, Commonwealth Grant Scheme.

The report rightly rejects varying the cluster rate for postgraduate courses. A higher funding level would only force all universities to move as many qualifications to the postgraduate level as possible rather than allow this approach as a distinct option for some universities or some disciplines. It is simplistic to argue that because a qualification is of a higher level it necessarily costs more to deliver. Students enrolling in postgraduate coursework programs should be ready for study at that level, having less need for base academic skill development than those entering bachelor programs.

Performance funding

The report draws attention to the weakness of the Government decision to pull back from most of the reward funding Bradley recommended. As the report argues, the constructive use of performance measures ensures additional investment will be well used to improve teaching and learning outcomes. Reward funding has been lost to the need for fiscal restraint, a valid concern for Government. It should be an area for focus once budgetary pressures are lower.

The changing nature of teaching: supporting innovation

The Report's argues strongly that the nature of teaching higher education is changing and will continue to do so. The recommendation for additional 2% of base funding to support teaching and

learning infrastructure is particularly crucial. The Report identifies this as a priority for action ahead of its other proposals.

The proposal for 'flagship' programs to be funded at 150% of the standard rate by both Government and student is linked, but as presented seems unduly constrained to programs targeting highly capable students only. There is much to be thought through in responding to the concept of particular courses funded in such a way as well as to earmarking funding for innovation and renewal of all programs, meeting the one off cost of transformation not the ongoing recurrent cost of delivery.

How much should students contribute?

There has been considerable focus on the proposal to simplify and rationalise student charges by setting the charges at 40% of the notional expenditure per discipline.

The need to simplify is right; retention of a cap is right; the solution is not.

The problem with the Review's proposal is that it focuses on the notional cost of the course as the key factor in deciding a suitable level to cap the student charge. The weakness is that unlike a car – where higher price aligns strongly with better quality – the cost differentials across courses are intrinsic to the nature of the qualification. The intent is that each student gains a good to high quality learning outcome. Where it costs more to do so students do not get a better degree, they get what is needed for the outcome of a suitable qualification.

The rationale for the demand driven system is that students should be encouraged to pursue their individual preferences to ensure, overall, a well balanced graduate population providing a mix of knowledge and skills. Part of the public good comes from having such a mix of graduates, beyond the individual contribution of each graduate. To charge some students more for the benefit of their degree undermines that. If I get the degree I want, I am not concerned about how much Government subsidy went into my friend getting the degree she wants.

The IRU proposed to the Review that the student charge be set to a single common maximum, just above the current band two rate (\$8050 in 2012) to generate the same overall student contribution as the current charges. Government funding should make up the difference between the charge and reasonable expenditure for the course, reflecting the broad public good gained. The IRU policy is simple, easy to understand and would avoid many of the problems raised in initial comments on the Review's proposal about the strange variation in charges it creates from discipline to discipline.

There are also practical challenges with the Report's 40% proposal when taken together with its other recommendations. Resetting the relativities across discipline clusters (Table 3.4) and ensuring no cluster is funded at less than current rates would push a course like agriculture to around \$15,000 a year. Should such a course be a flagship, charging a further 50%, the charge would be over \$20,000 a year. 40% may sound like a cap but in reality it could be a very open ended measure.

What is missing?

There are some issues which the Review has chosen not to address.

There is only a limited discussion of how base funding relates to the various loadings and other programs that support learning and teaching. The exception is the low SES loading which the Report links to ensuring that the demand driven opportunities do not leave behind some sets of potential students. The value of regional loading or of Indigenous support programs, to do the same is not addressed.

A second area is how the funding arrangements support or not teaching across single universities. This can be important for ensuring less popular disciplines can remain an option for most Australian students. The IRU is using such an approach to strengthen its latter year physics programs. University and Government systems can hinder or discourage such approaches yet they are critical to how well we have a system that responds to individual student demand not just to majority student demand.

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14 December 2011