

Renewing University Base Funding

The Priority Issues

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Overview

There are five key decisions for the Government in response to the Report of the Base Funding Review.

1. The Government should commit to the Bradley review's recommendation for a 10 per cent increase in Government base funding to universities as an immediate goal. It has already put in place increases worth 3.5%.
2. The priority initiatives to achieve this are:
 - Contemporary Learning Spaces, a load based infrastructure grant;
 - enhancing programs to support access to university through:
 - raising and maintain the low SES and enabling loadings; and
 - creation of an Indigenous access and course completion loading;
 - a Course Renewal Innovation Program, building off the flagships proposal to support innovative course redevelopment that over time adds value for all students not a select few; and
 - improvement to base funding rates for the most underfunded discipline areas.
3. There should be a single maximum rate of student contribution, no higher than the current second band of \$8050 a year.
4. That student load remain the basis for allocating base funding, including any identified research element.
5. That all Government supported places in a discipline, whether undergraduate or postgraduate, be funded at the same rate.

Renewing university base funding: the priority issues

The Report of the Review of Higher Education¹ (known as the Bradley Report) set the scene for a substantial change in the funding and regulation of Australian higher education. With endorsement by both Government and Coalition, Australia's universities are now able to enrol all suitable applicants with the expectation that all enrolled students will receive a higher education consistent with the standards required.

There is a gap between the resources available to universities and the resources required to meet long term the standards set for, and expected, of higher education. The Bradley Report put the gap at ten per cent of Government funding as a minimum. It recommended that there be a detailed study of the base funding arrangements for universities to provide Government with a coherent case for the necessary level of funding.

The Base Funding Review demonstrates that the gap is real. Universities are not sufficiently resourced to carry out the major tasks expected of them – providing higher education courses, undertaking research and using both to support community, business and Government.

Its data suggests as much as 20% to 30% additional base revenue is required to match needed expenditure. It reached its conclusion based on current and future requirements for effective higher education.

Setting a benchmark for increased funding

There is much value in having a benchmark for the overall increase in revenue required to guide the assembly of the most useful combination of proposals for additional funding. The Bradley review's 10% increase in base Government funding (but not student contributions) remains a robust goal, coming from a major report endorsed by all sides of politics. In its response to Bradley the Government took up some of its proposals, now worth about 3.5% of the Commonwealth Grant Scheme.

The Base Funding Review's proposals in combination add up to a substantial increase in Government expenditure of well over 20% (Table One). The IRU acknowledges the fiscal constraints. To implement all those proposals is not realistic as a medium term (5 year) goal due to the Australian Government's limited capacity for major additional expenditure in coming years.

Using the Bradley target as the benchmark will provide the basis for identifying the most productive combination of the Review's recommendations.

IRU position

1. The Government should commit to the Bradley review's recommendation for a 10 per cent increase in Government base funding to universities as an immediate goal.

¹ Bradley, Noonan, Nugent, and Scales, *Report of the Higher Education Review*, DEEWR 2008

The priorities for additional investment

The Review's major financial proposals are:

- infrastructure funding for contemporary learning spaces, to be allocated based on relative load, set at 2%;
- changes to the discipline clusters to increase funding for some and reset the relativities such that no cluster loses funding. The IRU estimates the proposal requires an increase of at least 17% of CGS funding (see Appendix One);
- uncapping the HEPPP payments so the low-SES loading retains its value year to year, worth in the order of 1% so that it returns to the initial level of 4% of base funding as Bradley proposed and the Government accepted;
- uncapping enabling loading so it retains its value year to year. This would be a minor cost to underpin a very important program to widen participation in higher education;
- the flagship qualifications. If fully subscribed, and assuming the courses chosen are more likely drawn from the mid and high cost clusters, they could be worth 3%; and
- improvements to performance funding, predicated on the funding initially announced. Reversal of the Government's 2011 decision would be worth 1.8%.

In total these represent a major increase to the Commonwealth Grant Scheme and related payments as shown in Table One.

Table One: Impact on the CGS of Base Funding Review recommendations

		2013-14	2014-15	% of CGS base 2014-15
		(\$m)	(\$m)	
Commonwealth Grant Scheme		\$6,259	\$6,555	
Bradley Outcomes				
HEPPP	(1)	\$188	\$194	3.0%
Performance funding: Participation	(1)	\$31	\$30	0.5%
Base Funding Review Proposals				
Resetting clusters (Recs 4-6)	(2)	\$1,064	\$1,114	17.0%
Contemporary learning spaces (Rec 17)		\$125	\$131	2.0%
Uncap HEPPP (Recs 27-28)	(3)	\$63	\$68	1.0%
Set enabling loading by EFSTL (Rec 29)		Small, with controls retained on enabling load		
Flagship courses (Rec 13)	(4)	\$188	\$197	3.0%
Performance Funding (Recs 10-11)	(5)	\$105	\$120	1.8%

Sources: CGS, HEPPP Source: DEEWR 2011-2012 Budget Statements - Outcome 3, Table 2.3.1
Performance funding: Budget Statements and Midyear Review documentation

- (1) the proportion of CGS dropping as CGS grows with student numbers
 (2) See Appendix One for basis for this estimate
 (3) Assumes restoration to the original 4%
 (4) Assumes courses chosen have tend to high cost clusters
 (5) Restores funding cut through 2011 Mid year budget review

Contemporary learning spaces

Recommendation 17 of the Review recommends that there be an infrastructure loading set at 2% of the CGS which would be allocated according to enrolments. The proposal addresses the lack of support for the basic infrastructure required to expand provision and ensure the existing facilities are up to future requirements. Successful meeting of the Government's 40% target requires universities to have the facilities and infrastructure required to educate a greater range of students well.

The IRU universities' used the Better Universities Renewal Funding (2008) and Teaching and Learning Capital Fund (2009) grants to target precisely the contemporary learning spaces the Review supports. The use of the funds contrasts with those from the previous Capital Development Program where projects were funded one by one against central guidelines².

Creation of a loading to give universities a regular source to direct at infrastructure would help ensure that future students learn in an environment designed to support their needs with access to required equipment and facilities.

Cluster Funding

The review identifies the disciplines of accounting, administration, economics, commerce, medicine, veterinary science, agriculture, dentistry, and visual and performing arts, and, with less certainty, and law as the priority disciplines for additional resourcing. It also shows that no discipline area is underfunded.

The IRU endorses the precept that no discipline should receive less resourcing. Reductions to any cluster, even if in the context of increases to other disciplines such that all universities' total resourcing was clearly higher, would send a very negative message to any discipline identified for lower resources.

The challenge is that the combination of increasing some clusters and reducing none makes any change expensive. The IRU has derived the minimum cluster funding levels to achieve the relativities the Review recommends and then estimated that this would involve a 17% increase in the Commonwealth Grant Scheme to implement (see Appendix One).

It is better to moderate the increases needed to ensure a viable package in response to the Review can be developed. The IRU suggests that there be small changes targeting the four current clusters the Review identifies. This will not create the new relativities between the lowest and highest clusters the Review proposes but be a moderate step towards its recommendations.

Maintaining the value of the low-SES loading and the enabling loading

The low-SES loading and the enabling loading are important to achieving the Government's targets for increased levels of bachelor completions. They provide additional resourcing to universities expanding enrolments of students from backgrounds less likely to lead to university entrance.

The Review identifies that the dollar value of both the low SES loading and enabling loading are dwindling in line with growing numbers of both types of students. Because the total funding is capped, as student numbers increase the value of the support reduces.

² "Analysis of the Impact and Use of BURF, TLCF and CDP Funding", internal IRU paper, February 2012.

The low SES loading has been very important in helping universities increase the previously static proportion of students from low SES backgrounds a little closer to the benchmark. The loading serves to state to the whole university that access by potential students from all backgrounds is important and that there is recompense for the effort of attracting and supporting those less likely to apply.

As the loading's dollar value declines so does its effectiveness to encourage university action. Therefore the loading should be maintained at a constant dollar value until the level of low-SES enrolments exceeds the target figure of 20% and comes close to the benchmark of 25%.

The enabling loading initially offset the lack of a student contribution from students of enabling programs. It no longer does so, and particularly will not do so from 2013 for enabling programs in mathematics and sciences where the student contribution exempted will return to the higher band 2 level.

Flagship qualifications: making better use of the Review's proposal

The proposal to create Flagship programs, targeting 5% of students with an additional 50% of resources, is based in an argument to support innovation and change in the provision of higher education. The Review unfortunately defines the type of eligible program in a very limited way that undercuts the value that could come from such a program.

The IRU supports creation of a Course Renewal Innovation Program, building off the flagships proposal's underlying focus on innovation but avoiding its negative elements. The Course Renewal Innovation Program would:

- support major projects for innovation in course delivery, including cross institution delivery;
- fund each renewal project for 3 to 5 years to underwrite the innovation, with the expectation of long terms sustainability within the university's ongoing funding. In this way a university would use the funding to work across all major areas to stimulate better approaches to learning;
- involve innovation and renewal that over time would improve learning for a wide range of students; and
- not be based on students paying higher student contributions.

There needs to be a strong case to concentrate one element of additional funding to courses for a small set of students. In effect the Review argues that an extra 2.5% to 3% of CGS funding, and a similar increase in student contributions, should target 5% of students with a particularly high level of resourcing. Such funds might be used to improve outcomes, at a lower level, for 100% of students.

It is particularly problematic to focus on "high achieving school leavers" as the target for the additional concentrated support. The arguments put for it are based in the need for more highly capable students to have access to particularly well resourced teaching without demonstrating why this would necessarily have a greater return than similar programs for other students. In a system of demand driven funding intended to substantially raise the proportion of successive cohorts achieving a bachelor degree the rationale for one small subset of students to be supported to a notably better outcome is not clear.

Universities have, and should retain, the capacity to target available resources to priority qualifications to build up standing in that area. The Review's recommendation is in part consequent

on its view that the particular combination of Government funding and student contribution for a student should tie closely to the amount the university then commits to that student. This assumption ties universities unnecessarily.

The IRU in particular rejects providing additional Government funding contingent on student willingness to incur significantly higher student contributions, increasing the likelihood of unpaid debts from those students.

Indigenous support funding

With the exception of the low-SES loading the Review pays little heed to the interaction of base funding with the various loadings and other programs that support learning and teaching.

The current Review of Higher Education Access and Outcomes for Aboriginal and Torres Strait Islander People needs a mechanism to move beyond the current funding for Indigenous Units to a focus on the whole of university support for Indigenous student progression without undermining the value of the Indigenous Units.

The Bradley review left open how additional funds for Indigenous support should be allocated but argued that there should be more funds as part of its recommendation for 4% of base funding to be driven by access issues.

Therefore the IRU argues that the 4% increase should be met and be maintained with part of the additional funding to support an enrolment and progression loading for Indigenous students, adding to the current Indigenous support program, subject to the report from the Review of Higher Education Access and Outcomes for Aboriginal and Torres Strait Islander People.

Restoration of full performance funding

The Review argues cogently and clearly for the value of the planned performance funding arrangements.

The IRU was a strong proponent of the performance assessment framework the Government was developing through to late 2011. The decision to abolish the performance elements relating to teaching and learning was taken after receipt of the Base Funding Review Report. The IRU considers restoring the teaching and learning elements would be of advantage but, in light of the Government's decision, it is a lower priority for initial action.

IRU position

2. The Government should target additional investment at:

- Contemporary Learning Spaces, a load based infrastructure grant;
- enhancing programs to support access to university through:
 - raising and maintain the low SES and enabling loadings; and
 - creation of an Indigenous access and course completion loading;
- a Course Renewal Innovation Program, building off the flagships proposal to support innovative course redevelopment that over time adds value for all students not a select few; and
- improvement to base funding rates for the most underfunded discipline areas.

Supporting student demand: a single student charge

Australia requires graduates across a range of disciplines. The public good from investing in universities comes from both the individual impact of each graduate and from having a mix of graduates across all disciplines and professions.

The new demand driven system encourages potential students to pursue their individual preferences as the best basis to ensure a well-balanced graduate population with a mix of knowledge and skills. We also know that over time graduates have multiple careers, some directly linked to their course and others which are not but which draw on their graduate capability.

To charge some students more for the benefit of their degree simply punishes them for pursuing their interests. Students should not be distracted by price in their choice of Government supported course but focus on what is likely best suited to them.

Universities in offering Government supported places should compete in terms of the nature and quality of the education they can provide not its price. Government funding should make up the difference between the charge and reasonable expenditure for the course, reflecting the broad public good gained from a mix of graduates.

The IRU policy is for a single student charge as part of Government action to increase its investment in university base funding. It is a simple, easy to understand means for students to contribute to the cost of their higher education.

The full argument is set out in the parallel IRU paper *Supporting student demand: a single student charge*.

IRU position

3. There should be a single maximum rate of student contribution, no higher than the current second band of \$8050 a year.

The role of base funding in supporting universities research capability

The Base Funding Review supports the argument the IRU and other university groups put to it that base funding legitimately includes support for base research capability. The report suggests this element is about 6% to 10% of base funding derived from its costing study.

The Report opens up, but reaches no conclusion on, whether the research element should continue as part of a load based allocation of funding or be separately allocated against a research based metric(s).

Retention of a load based allocation ensures that there is some funding that recognises the requirement for universities to engage widely in research, providing a basis to initiate research in growing and new teaching areas.

IRU position

4. That student load remain the basis for allocating base funding, including any identified research element.

Funding postgraduate programs

The Base Funding Review supports the IRU argument that all funded places in a cluster, whether undergraduate or postgraduate, be funded at the same rate.

The demand driven system has opened up the delivery of undergraduate bachelor places, with universities funded for all such places. The Government moved to retain control over sub-degree undergraduate places late last year as a means to restrain expenditure and also address fears from other higher education providers that they would lose students to universities.

The provision of Government supported postgraduate places has increased extensively since 2007 but was not intended to be open to on demand funding. The IRU supports that position. Government funding needs to focus on the provision of the initial degree. The Base Funding Review shows the need for additional funding to do this well. There is no case to divert significant further funding to postgraduate places through either a further major expansion in funded postgraduate places or funding those places at a different higher rate.

The question is not about the precise cost to deliver postgraduate compared with undergraduate qualifications. It is about the level of resourcing for Government supported places and targeting of available Government funding. Where universities have used Government places for postgraduate courses or moved courses from undergraduate to postgraduate levels they have done so at the standard rate of funding.

IRU position

5. That all Government supported places in a discipline, whether undergraduate or postgraduate, be funded at the same rate.

Appendix One: Estimating the impact of the Review's cluster model

The Base Funding Review argues that the funding clusters:

- should be simplified into five clusters, so that there are fewer, listing potential relativities (Recommendation 5 and Table 3.4, p 61);
- adjusted to increase funding for some areas, primarily the lowest funded clusters and the highest (Recommendation 4); and
- should not be reduced for any area (Recommendation 6).

It then argues that the split between student and Government should be 40:60 against the notional revenue for each cluster (Recommendation 23).

The IRU has endeavoured to model this combination of recommendations to gauge its fiscal impact.

Table Two creates the five clusters the Review proposes. The minimum fiscal impact is achieved if revenue per EFSTL for education stays constant and funding rise for all other areas consistent with the Review's proposed relativities for each discipline group.

To understand the implications for universities and for Government and students the IRU has aligned those funding rates with the load in each. Table Three then estimates the impact on Government and student contributions from the Review's cluster model. This involves using 2010 load (the most recent available) and for undergraduates only since the published postgraduate load data does not separate funded and non-funded load. The published load by narrow field of study mostly aligns clearly with the funding clusters and student contribution bands but in some cases judgements were required.

The analysis presumes the Government decision to restore maths, science and statistical units to the second Band for student contributions which is to take effect from 2013, the earliest possible year the recommendations from the Base Funding Review could be taken up.

The Tables are thus indicative, combining 2010 load estimates, 2012 Government and Student contribution rates with 2013 funding arrangements and modelling of those the Base Funding Review proposes.

Table Three shows the proportionate impact of the base funding review cluster proposals, but should not be read to indicate the precise dollar value of current or future funding arrangements.

Table Two Cluster funding: The Base Funding Review's proposal (\$\$ per EFTSL)

Discipline groups	2013 funding arrangements				Base Funding Review weights and Student: Government split				Difference
	Weights	Govt funding	Maximum Student Contribution	Total Revenue per Equivalent Full Time Student Load	Proposed Weights	Govt funding	Maximum Student Contribution	Total Revenue per Equivalent Full Time Student Load	Total Revenue per EFTSL
Law, accounting, administration, economics, commerce	1.0	\$1,861	\$9,425	\$11,286	1.0	\$6,772	\$4,514	\$12,633	\$1,347
Humanities	1.0	\$5,168	\$5,648	\$10,816	1.0	\$6,490	\$4,326	\$12,633	\$1,817
Behavioural science, social studies	1.4	\$9,142	\$5,648	\$14,790	1.2	\$8,874	\$5,916	\$15,160	\$370
Education	1.4	\$9,512	\$5,648	\$15,160	1.2	\$9,096	\$6,064	\$15,160	\$0
Mathematics, statistics, computing, built environment, other health	1.6	\$9,142	\$8,050	\$17,192	1.6	\$10,315	\$6,877	\$20,213	\$3,021
Foreign languages, visual and performing arts, clinical psychology	1.6	\$11,243	\$5,648	\$16,891	1.6	\$10,135	\$6,756	\$20,213	\$3,322
Allied health	1.8	\$11,243	\$8,050	\$19,293	1.6	\$11,576	\$7,717	\$20,213	\$920
Nursing	1.7	\$12,552	\$5,648	\$18,200	1.6	\$10,920	\$7,280	\$20,213	\$2,013
Science Engineering, surveying	2.2	\$15,983	\$8,050	\$24,033	2.0	\$14,420	\$9,613	\$25,267	\$1,234
Agriculture	2.6	\$20,284	\$8,050	\$28,334	3.0	\$17,000	\$11,334	\$37,900	\$9,566
Dentistry, medicine, veterinary science	2.7	\$20,284	\$9,425	\$29,709	3.0	\$17,825	\$11,884	\$37,900	\$8,191

The Table is indicative, combining 2012 Government and Student contribution rates with 2013 funding arrangements and modelling of those the Base Funding Review proposes.

Table Three University revenue: Estimated impact of the Base Funding Review's cluster proposal on undergraduate places (\$\$ million)

Discipline groups	Current funding arrangements (\$\$ million)			Base Funding Review (\$\$million)			% difference			
	2010 EFTSL	Total Revenue	Government funding	Student Contribution	Total Revenue	Government funding	Student Contribution	Total Revenue	Government funding	Student Contribution
Law, accounting, administration, economics, commerce	101761	\$1,148	\$189	\$959	\$1,286	\$771	\$514	12%	307%	-46%
Humanities	21447	\$232	\$111	\$121	\$271	\$163	\$108	17%	47%	-11%
Behavioural science, social studies	71666	\$1,060	\$655	\$405	\$1,086	\$652	\$435	3%	-1%	7%
Education	41845	\$634	\$398	\$236	\$634	\$381	\$254	0%	-4%	7%
Mathematics, statistics, computing, built environment, other health	57494	\$988	\$526	\$463	\$1,162	\$697	\$465	18%	33%	0%
Foreign languages, visual and performing arts, clinical psychology	55315	\$934	\$622	\$312	\$1,118	\$671	\$447	20%	8%	43%
Allied health	13717	\$265	\$154	\$110	\$277	\$166	\$111	5%	8%	0%
Nursing	24912	\$453	\$313	\$141	\$504	\$302	\$201	11%	-3%	43%
Science Engineering, surveying	82803	\$1,990	\$1,323	\$667	\$2,092	\$1,255	\$837	5%	-5%	26%
Agriculture	6797	\$193	\$138	\$55	\$258	\$155	\$103	34%	12%	88%
Dentistry, medicine, veterinary science	18257	\$542	\$370	\$172	\$692	\$415	\$277	28%	12%	61%
TOTAL	496013	\$8,441	\$4,799	\$3,641	\$9,380	\$5,628	\$3,752	11%	17%	3%

The Table is indicative combining 2010 load estimates, 2012 Government and Student contribution rates with 2013 funding arrangements and modelling of those the Base Funding Review proposes. It shows the proportionate impact of the base funding review cluster proposals, but should not be read to indicate the precise dollar value of current or future funding arrangements.