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Why universities need annual surpluses

Does Australia want its universities to be well run efficient organisations?

The Deloitte report *Cost of delivery of higher education* is a useful analysis of the information from the participating universities within the constraints set by the Government directions to the authors. The report is clear that there are important limits to the conclusions that can be drawn from it, and that no comparison can usefully be made with the 2010 data from the previous study.

Yet the Government has done so to buttress its case to reduce the overall base revenue universities receive.

If you want a reasoned discussion on HE finance data you release the report well in advance of decisions citing it.

There has been no ongoing source of capital funding since 2012 that supports universities to renew facilities to provide the education of the future. This includes making university buildings digitally capable. 2012 saw the full operation of demand driven funding. All universities expanded student numbers, requiring considerable renewal of teaching facilities to meet student needs.

Instead, universities generate all the funds needed to modernise through annual surpluses that are invested in future services. To generate surpluses universities have had to impose tight efficiencies on the number of staff and ongoing support for students. The last five years stand in contrast to the previous decade for most universities in seeing a sustained redirection of revenue to ensure the future, not just attend to the present. Those efficiencies are being made – that is what the Deloitte report shows.

It is galling for university success in redirecting scarce recurrent funds to support longer term needs for infrastructure and development to be used as evidence of too much financial health.

A key weakness in the report is to compare estimates of expenditure on teaching with the revenue provided to universities to support education and core research and engagement activity. There is no Government research program that aims to meet the salary costs of academics employed to teach and research.

The Government recognised this in 2014 when it proposed funding non-university providers at a 70% of the full Commonwealth Grant Scheme funding rates.

Universities use the funds they have to achieve the objectives, now and into the future. Regular surpluses are one essential requirement for doing this.

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