

## **IRU preliminary comments: Higher Education base funding review**

The Review of Higher Education (the Bradley report) of 2009 concluded that ‘there are now clear signs that the quality of the educational experience is declining ... student-to-staff ratios are unacceptably high’ leading it to argue that ‘a significant increase in public investment and funding for higher education is warranted’ and to propose an increase of ten percent to the base grants from the Commonwealth for teaching (Bradley, p x11 and xv). The review of base funding is a direct result of the Bradley report to address thoroughly the funding issues which it identified.

The following comments consider the major issues which the Review needs to address in reaching a considered view about its three key questions:

- what is the overall quantum of funding that universities require to support their base operations with a major focus on providing a good quality education for students?
- what is the balance of that quantum to be provided by Government and by the students? and
- what is the distribution of the Government quantum to each university based on enrolled students and other factors?

### **1. What is base funding for?**

The focus for the review is the Commonwealth Grant Scheme. The CGS was created from 2005 following the Nelson changes to higher education. It replaced the previous operating grant. The CGS is the main university source of funding for all operations across all activities whether teaching, research, operations of the university, or engagement with external communities.

The CGS is driven by student load as a representative indicator of the relative need of the university for Government support. The other uses of the CGS are less specifically tied to students but do have a broad link. The provision of academic staff, where not explicitly supported for research, is broadly driven by student numbers. The various services and operating elements of the university are driven by student and staff requirements. Hence, the current approach is a reasonable means to underpin each university.

The review will need to confront whether the CGS retains a role as a general grant for the operation of the university that is more than just teaching and learning. In particular, is it intended to underpin university staff's research capacities, given that most academic staff do not have ongoing research grant income and those grants usually do not cover researcher salaries?

The alternative is that the CGS becomes a teaching and learning grant. In this case there would need to be explicit new programs, as part of a suite of university base grants, which address the other core university roles.

## 2. Relationship with other funding programs

It is crucial that the various Government funding programs work together to provide a coherent set of incentives and support to universities. Hence the review should consider the interaction of the CGS with other Government programs that support the operation of the university and in particular teaching and learning such as:

- performance reward funding
- the low-SES loading
- regional loading

One approach would be to build these elements into a single scheme that brings together factors such as discipline, load, SES and other equity group status.

## 3. Supporting differential university provision

One objective for a strong university system is that there is a degree of diversity across universities both in the range of courses they offer and in the way in which they approach delivery. A frequent argument is that the common funding system encourages replication of similar courses. However, receipt of a similar level of resource does not require universities to use those resources in the same way. Universities have flexibility to use the same resource for a course in quite different ways based on student needs and interests; equally universities can distribute funding internally to support some areas with a higher level of resource than standard (balanced by reductions elsewhere).

Hence:

- should funding follow costs closely or relate to a notional reasonable level?
- should there be incentives for difference in provision, that is more than funding high cost delivery?

## 4. Data on course costs

Data on the cost of provision is strongly bedevilled by the circularity that the starting point for most internal university allocations is the funding currently generated by students. Hence much data will tend to confirm the current allocations and their relativities.

Universities can demonstrate the impact of the tightened unit of funding over the past twenty years through changes in the size of classes and the teaching requirements for staff. It is a point of judgement the mix of reasonable efficiency that this demonstrates versus putting pressure on the value of students' learning.

Each discipline area will be able to demonstrate:

- that the current funding levels are insufficient for providing the desired level of service to students;
- plausible uses for additional funding.

Few will venture to consider their relative need for funding compared to other disciplines or forms of teaching.

There are parallel sets of data concerning fees for international students and for graduate coursework programs. These reflect market conditions as well as the requirements of the courses themselves.

International examples will provide an array of parallel data sets, however, it is difficult to make close comparisons due to the challenges of comparing currency values and different approaches to salaries and other expenditure items. International comparison is more likely to be fruitful in identifying the level of learning expected of students and Australia's relative standing. There will be various factors for bridging any gap in learning outcomes but resourcing will be a major factor.

## 5. The potential bases for differential funding

A potential starting point for assessing the need for differential funding is to analyse why each student could not be funded at the same amount: what problems would emerge? Rather than look for evidence of costs *per se* the review would be better to look for evidence of what distinctions in cost factors are necessary for certain students such that a differential funding level is necessary:

- higher levels of equipment and other teaching infrastructure?
- the need for lower numbers of students per staff member to ensure effective learning in that area?
- students with lower levels of educational skills?

This analysis should also consider the implications of courses at different AQF levels. The base funding system is primarily supporting level 7 Bachelor qualifications. However, universities can also fund level 5 and 6 qualifications, with many considering these as a way to provide a further pathway into a full bachelor degree. Universities can also support graduate qualifications through the base funding.

There is no immediate evidence that the resources required for a qualification necessarily increase as its level rises. The lower level qualifications target students with less developed learning skills who require more intensive support. The graduate qualifications take students already skilled in university study to either deepen their understanding or in a growing number of cases to equip them in a professional field. Should a graduate entry architecture qualification require greater resources per student than an undergraduate architecture qualification? Would such a distinction lead to perverse decisions about the qualification level for courses?

The discussion above focuses on a per student funding system, since that is most compatible with a student choice driven system. The review should also consider whether there are factors concerning the presence of a university that require additional funding, factors about the nature of the institution:

- size and number of campuses, where this is driven by considerations of access;
- impact of remoteness.

There could be a further set of issues concerning the continued breadth of course provision. This is a area for the review team to treat with particular care. The loss of

particular courses usually follows reductions in student applications. A decision that an area is particularly important, even though few students wish to study it, and hence should receive funding to retain it requires considerable evidence.

## **6. The structure of the student contribution**

There is little rationale for the current system of multiple student contribution maximum rates.

The introduction of multiple rates was a means to increase the overall student payment using the rationale of higher cost courses (for example, medicine) and the extent of perceived graduate income (law). However, the movement of commerce and business units from the middle to the highest band in 2008 undercut this rationale, leaving the question of why, if business students can pay the highest rate, students should pay less for other discipline areas?

Hence IRU considers that the review should consider the development of a single student contribution cap, applicable to all units of study. This could increase the overall amount paid by students without raising the current highest maximum or could be set to raise a similar amount as current charges but spread more equally across students. This approach is based on an argument that nationally Australia needs graduates from a range of courses, with each student equally likely to prosper post graduation. Hence the students should make a reasonable, but common contribution, with the balance met from Government support.

A viable alternative approach is to set a standard proportion of the notional price for a course that a student should pay. This argues that students should receive Government support in proportion to the cost of the course they choose. The negative is that it creates some, perhaps limited, disincentive for the higher cost courses. Such an approach is also based on a close alignment of the notional Government endorsed income for a discipline to the amount a university should actually spend on that discipline.

## **7. Student capacity to pay contributions**

There have been various studies of the impact of the introduction of a student charge, with income contingent loan, in the late 1980s and the various changes to it since.

These generally show only a small dampening of demand for higher education that recovers quickly in the face of the broader trends towards greater higher education attainment.

Students studying business and related units are a good case study. They were initially subject to the same charge as other students. From 1997 there were three maximum charges with these units in the middle group, a level substantially higher than the previous common charge. From 2008 these units were moved from the middle band into the highest band. Despite concerns from the business faculties business and related courses remain one of the largest groups of undergraduate courses.

There are counter arguments that the studies are too broad to assess effectively the impact on particular subsets of students who may be more sensitive to fee increases.

The issue of deterrence is crucial. Arguments about the private rate of return from study are of limited value once the charge is perceived by significant subsets of students as being too high to be worth incurring. The Government ambition to widen further the set of students also means drawing in people who to now have considered higher education as of marginal or no benefit to them. Price sensitivity is likely to be of greater importance to this group.

There is some evidence that the fall off following changes in charges is higher for mature age students and from groups considered particularly debt averse such as some Indigenous students. In contrast school leavers seeking entry appear to regard the charge as a future issue.

### **8. Implications of any extension of Government supported places**

The Review of Higher Education 2009 (Bradley) recommended that Government supported places should be available to a wider set of higher education providers once the key changes it recommended had been bedded down with currently funded universities. This leads to the paradox that the more successfully universities implement the reforms from 2012 the more likely they are to be subject to greater competition.

The review therefore needs to consider whether its proposals should distinguish in application between types of higher education providers or provide particular elements for universities distinct from other providers.

### **9. IRU themes**

In providing input to the Review across the coming year the IRU will pursue a number of themes which we set out below. As the review proceeds we expect to develop our position on these issues and explore different ways in which they could be achieved:

- There is a clear case for additional public investment per student to support the student centred funding system, being introduced from 2012;
- The questions of what level of funding, how much Government should provide, how much students should pay and the basis on which Government funding is distributed is as much a question for judgement as a question of empirical proof. Hence the challenge for the review team is to identify the factors which should drive the judgements to be made;
- The base funding provided is to cover all core activities of a university. These include teaching research, engagement with communities which use the learning of the university, and the services and facilities that facilitate those activities;
- The IRU strongly supports caps on student contributions. Universities should compete for students based on the teaching and learning they will provide, not the charge they will levy; and
- The financial contribution students make to their education should be limited to a level that should not deter any suitable potential student. The current system of multiple maxima has no long term rationale and should be simplified to a single arrangement that applies to all students.