

The complexities of funding arrangements

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GOVERNMENT changes to higher education will work only if institutions respond appropriately.

THE government's higher education reforms will work only if the financial incentives encourage a suitable response from universities. Collectively, they must offer access to a wide range of courses if potential students are to choose the course and institution they assess as best meeting their needs.

During the next two years the government and universities should use the promised review of the commonwealth grant scheme rates to produce a well-constructed funding system that delivers the government's promised resources. The funding arrangements must bring together the CGS and related plans for regional campuses, low-socioeconomic status students, indigenous students and teaching and learning. At present these schemes have little coherence in how they work to support the government's objectives.

The question of the total amount is one for government to set and for universities to fret about. We have commitments to indexation improvements, some additional programs and the willingness to fund all enrolled students. The average amount for each student should be higher but that would not resolve the question of how best to distribute the available funds across the universities.

CGS funding rates (combining the government and student contributions) are intended to reflect differences in the likely cost by discipline. The relativities (why engineering is worth 1.4 times computing) date to the 1990s, but governments have adjusted them since. The changes have been of short-term value to the particular disciplines singled out but have done little to ensure a reasonable distribution of the available funding. There is no simple way to rework the relativities but the answer is not to study actual university expenditure. What universities spend is too dependent on the current rates; the process cannot break out of the circularity.

The challenge is to isolate factors requiring additional expenditure to deliver a course to the required standard compared with any other course or any other university. If there are no differences, then set a single rate applied to all students. Hence it becomes a question of judgment.

Which disciplines require a higher ratio of staff to students than others? Which need specialist teaching facilities that cost more than a standard classroom to support? Which need to use up more consumables? These judgments should then be tied to

similar questions about the need to include other factors beyond discipline-based costs to determine the distribution of funding.

The review also should confront whether the CGS retains a role as a general grant for the operation of the university that goes beyond its student-based algorithm. In particular, is it intended to underpin universities' research capacities, given that most academic staff rarely win ongoing research grant income? This is crucial to the applicability of the commonwealth funding arrangements beyond universities to other higher education providers, public and private, and would be a potential consequence of a successful demand-driven system.

One legitimate factor a future funding algorithm could contain is an element for research-based teaching and learning.

There is little rationale to having multiple student contribution maximum rates rather than one upper amount. 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 and public opprobrium (law). However, the movement of commerce and business units from the middle to the highest band in 2008 undercut this rationale, leaving us in the position where, if business students pay the highest rate, there is no real argument against all students paying the same. This is quite distinct from removing the student contribution cap.

Keeping the gamut of courses accessible has to be addressed directly. The judgment is whether we need to underpin fields whose loss would matter to a region or nationally if they fall below a sustainable level. Such arguments for preservation of a waning field have to be assessed hard.

The low-SES funding supplement per enrolment is crude but has been quite effective in encouraging university action. It is primarily a bounty for each hide a university collects - creating an incentive for action - rather than recompense for the likely additional tuition and student support costs, removing a disincentive. Its weakness is that it divides students into two groups, one large and therefore standard, the other small and hence special.

Through time a less black-and-white approach that factors in a spread of student backgrounds may be better.

The regional loading is an effort to recognise the costs of places by offsetting the diseconomies of medium-sized campuses and the relative lack of important community and industrial infrastructure. There are good arguments that outer metropolitan campuses face similar challenges.

The question is on what basis to judge the extent of support needed while retaining the incentive to become a larger campus capable of operating under standard arrangements. The interaction with the low-SES and-or broader equity funding needs to be well considered because the various streams clearly interact.

The learning and teaching funding is tied to individual university performance against nationally set performance indicators. The amount paid is to be a proportion of the total teaching and learning funding the university otherwise receives. To work well this needs to be considered in relation to the other funds to ensure the balance of incentives drives universities towards open enrolment, not pulling back from some potential students.

Pulling together the various elements into a more coherent, integrated, system would see the relevant factors collected for each student (what units they enrol in, where did they come from, their or their parents' educational or economic standing,

any other characteristic deemed important) and combined with the nature of the university as the basis for distributing the funds available.

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