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17 November 2010  

The Hon Dr Jane Lomax-Smith  
Chair  
Higher Education Base Funding Review  
GPO BOX 9880  
CANBERRA ACT 2601  

By email: HEbasefundingreview@deewr.gov.au  

Dear Dr Lomax-Smith  

Higher Education Base Funding Review  

Thank you for your letter of 28 October 2010 inviting initial comments on the Review of Base Funding. The University of Sydney supports the Review, considers it long overdue, and is keen to engage with the Review process. I have provided some initial thoughts below and trust that these assist you and your team with the preparation of the consultation paper. 

In our view, the inadequacies of the current funding arrangements for university teaching and learning in many disciplines arise from our collective inability, despite successive reviews, to make the transition to a more coherent, rational and responsive framework for funding in different disciplines. We are therefore grateful that you and your fellow panel members have agreed to commit so much time and energy over the next year to undertake such an important task with the objective of improving the quality of Australia’s higher education system. 

The Relative Funding Model was only ever intended to facilitate the transition to the National Unified System in the early 1990s, in a way that achieved funding transparency and equity between institutions. The model may have served these purposes, but it has posed challenges for the sector ever since. It was never based on an understanding of actual disciplinary costs, or of the level of funding required to provide programs at particular standards in different disciplines. Rather, it was informed by an analysis of historically-based patterns of funding provided to different types of institutions, adjusted for a range of reasons that were considered appropriate at the time. For the past 20 years, incremental adjustments have been made to address perceived weaknesses, while the nature of educational delivery and associated costs have changed dramatically – not least because of the advent of the computer age. The irrationality and inconsistency of the cluster funding arrangements has led to the complex web of cross-subsidisation that is a feature of Australia’s university system today, while the imminent shift to a standards-based approach to regulation is making the historical focus on cost relativities between disciplines less relevant. 

In our view, further tweaking and short-term fixes will not be sufficient to underpin a high quality Australian higher education system in the long term. Recognising the budget constraints the Government is operating under, the Panel should seek to provide the Government with advice...
about how it can make the transition to a new rational and responsive funding framework, once its budget position improves.

The tight focus of the Review’s terms of reference on undergraduate and postgraduate coursework education is of some concern to us. The sustainability and quality issues facing Australian universities will only ever be addressed properly if we can shift the funding system to an integrated framework, which recognises the fundamental inter-connectedness between the diverse roles of universities, and the need to ensure that all activities are resourced appropriately. In addition to funding for undergraduate and postgraduate education provision this requires consideration of the funding arrangements for enabling courses; professional training; research training; research; student support services and amenities; knowledge transfer; community engagement; and infrastructure. For example, public funding for teaching and learning activities has historically included a component for time spent by academic staff on research. In an environment where providers in receipt of public funding may now range from ‘teaching only’ to ‘research-intensive’, it does not make sense that all providers should receive the same level of public funding. Further, the sector is currently in the process of transitioning to activity-based funding for indirect research costs associated with Australian Competitive Grant Research, teaching and research conducted in hospital settings, and possibly for the assessment of the true costs of providing research training in different disciplines. In our view the Review of Base Funding needs to respond to and integrate with these related developments to ensure that the final outcome is an overall funding framework that offers the best prospect of sustaining a diverse and high quality higher education sector.

Benchmarking Australia’s system of funding for higher education internationally will be vital to the Review and we urge the Panel to commission, or recommend that the Government commission, input by a respected international expert body such as the OECD. We also see value in the Panel visiting different types of universities in North America, Europe and Asia to compare standards of resourcing and infrastructure. Here we note the recommendations of the recent Browne Review in the UK and the Cameron Government’s initial response to it. Giving institutions greater flexibility over the contributions that students make towards the cost of their education would lead to improved levels of institutional diversity, quality and equity of access. However, withdrawing public funding support from disciplines based on an assessment of their intrinsic worth by Government would, in our view, be a dangerous precedent for Australia to follow, potentially undermining the capacity of higher education providers to respond in a timely fashion to rapid shifts in the labour market and changing demands for particular skills.

The ultimate aim of the Review should be to arrive at a new funding model for higher education teaching and learning, which is based on a robust understanding of the actual costs of delivering qualifications to minimum as well as higher standards, internationally benchmarked, by discipline. However, there are particular disciplines where the gap between total funding received and actual costs is particularly severe. It would be helpful if the Review’s examination of disciplinary costs could focus on some of these highly problematic disciplines first, before moving to those where current funding levels are broadly recognised to be adequate, or close to adequate.

We look forward to considering your discussion paper and to contributing to the Review as it proceeds.

Yours sincerely

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Michael Spence