



Priorities for the Universities Accord – submission

December 2022



**UNIVERSITIES
AUSTRALIA**

Contents

Executive summary	3
Principles to inform a policy framework	3
Priorities for the review	3
Introduction	4
Australia’s strong higher education and research system	5
The value Indigenous people and knowledges bring to higher education and research	6
Equity, access and success	7
Supporting higher levels of participation	7
Dedicated funding for outreach and student support	7
Possible approaches to overall equity funding	7
Supporting success while ensuring students get a fair go	8
Student income support	8
Meeting future demand	9
Lifelong learning, upskilling and reskilling	9
Current funding arrangements	10
Work-integrated learning	10
Equity and access: an economic and moral imperative	10
Research and innovation	11
The research pipeline	11
Universities and other parts of the research system	11
Government’s role in supporting research	11
Improvements in research funding	12
Infrastructure	13
Diversity in the sector	14
The Tertiary Education Quality and Standards Agency	15
Universities and national security	16
Increasing compliance requirements	16
Streamlined regulation to support productivity	16
Universities Australia’s policy agenda	17

Executive summary

This timely review is broad in scope, and necessarily so. All parts of the nation's higher education system are interdependent, and the higher education system is woven into every aspect of Australian life and society.

The higher education system is a national asset. Australia is best served by establishing long term policy settings for its higher education system. Now is the time to re-establish a national mission that recognises the teaching, research and contribution to society that Australia's universities make.

Australia's universities stand ready to address inequities in our society, and acknowledge the inestimable value to our nation of the world's oldest living culture.

Universities grasp this opportunity to work with government so that the best progress can be achieved in basic research, applied research, commercialisation and translation, working with industry and all other parts of society, and teaching the workforce of the future.

Principles to inform a policy framework

A principles-based framework should empower universities to make an even stronger contribution to the nation, and to Australia's place in the world, than they already do. We recommend that the key principles underlying the framework should be:

- **Stability:** policy settings should support a long-term strategic vision for higher education and research.
- **Integration:** all elements of the system should be able to work together as an effective whole.
- **Flexibility:** government and universities should be able to adapt to changing circumstances and needs.
- **Diversity:** allow different universities (and other participants) to contribute to realising the vision in a range of different ways.

- **Autonomy:** set overarching goals and requirements while giving universities appropriate autonomy for how to deliver on these.
- **Global connections:** support Australia's universities to engage with the world in education and research.

Priorities for the review

We recognise the importance of all the themes identified in the review's broad and comprehensive terms of reference. We propose the following priorities guide the review because they are most likely to address the terms of reference, and produce policy solutions that set the sector and the nation up for the next generation. Universities Australia's proposed priorities are:

- A holistic review of the entire higher education and research policy and funding ecosystem.
- Ensure universities can meet student and labour market demand now and in coming decades.
- Effective support for the research system, from pure basic research through to research commercialisation.
- Effective, long-term investment in the infrastructure that is needed for effective and sustainable teaching and research over the long term.
- Support for access and success for students regardless of background.
- Support for universities to develop and pursue diverse institutional missions.

We recommend the review – and the panel's recommendations – should be informed by a focus on outcomes, which allows for a range of different ways to achieve these outcomes.

In an environment of significant national and global challenges, the policy framework needs to be flexible and adaptive. An effective framework will support universities' efforts to meet a range of often unpredictable challenges in innovative ways. Policy settings should empower universities – rather than constrain them. A flexible framework set in place now will prepare Australia and our universities to keep the nation safe, strong and successful.

Introduction

Universities Australia welcomes the opportunity to make a submission to the panel on priorities for the Australian Universities Accord.

Universities Australia is the peak body representing Australia's 39 comprehensive teaching and research universities. Our members educate 1.4 million students each year and conduct world-class research for the benefit of the nation.

When universities are strong, Australia is strong. Our world-class institutions educate the skilled workers our economy cannot function without, produce the research and development breakthroughs that help us navigate the challenges of the world, and generate economic activity that boosts the nation's bottom line. In a changing world, we will need more of what universities offer, not less.

The Australian Universities Accord provides a rare opportunity to review the policy settings for the whole of the higher education and research sector and to consider how all of the different parts of the sector relate to and interact with each other. Through the review, we have a chance to identify areas of the system that need attention, and develop solutions that will enable all elements of the sector to work together even better as an effective and harmonious whole for the benefit of all Australians.

We are excited about this opportunity to better align the sector with Australia's interests and needs for decades to come.

The scope of the review

We welcome the broad and comprehensive terms of reference, which are important to the efficiency, effectiveness and credibility of the sector. In all seven areas, there are challenges both for government and for universities and universities stand ready to partner with government to address these challenges.

The review is broad and ambitious in scope. Australia's higher education and research system needs a strong policy framework that reflects the current needs of the nation and one that can easily adapt to changes in the future. The best option for devising such a framework is to base it on broad policy principles and an agreed strategic vision.

Once government has – in consultation with the sector – developed a vision for higher education and research and their contribution to Australia's prosperity, development and social wellbeing, a principles-based framework can be used to set more detailed goals as well as the parameters for how universities can meet these.



For every **\$1** invested in research, **\$5** is returned to the economy

For every **\$1** invested in teaching, **\$3** in tax revenue is generated for government

Australia's strong higher education and research system

Australia already has an excellent, world-class higher education and research system.

Some of the system's key strengths are:

- Australia's universities perform exceptionally well in international rankings, considering the relative size of our population.
- High student satisfaction results, reflecting high quality teaching and learning.
- Australia is a leading provider of international education – second only to the United States and the United Kingdom – and a world-leader in internationalising universities.
- Degree attainment rates in Australia are high relative to our international competitors.
- There are a wide variety of pathways into Australian universities for students of differing backgrounds and ages.
- Australia's share of global published research outputs (4.1 per cent) significantly exceeds our share of the world's population (0.34 per cent).
 - Universities do most of the heavy lifting, performing 87 per cent of fundamental research undertaken in Australia and 45 per cent of our applied research.
- Australian universities are globally connected, with almost 10,000 formal research and student exchange partnerships with universities around the world.
- The Australian university system is more efficient than systems in other countries.

Important elements of the policy, funding and regulatory architecture are also world-leading:

- Australia has the world's best student loan system, which has increased participation and reduced financial barriers to students.
- Australian universities are autonomous and self-accrediting, allowing them to respond more quickly to the needs of students and employers.
- Regulation of Australia's universities recognises their effective self-regulation and ensures that university policies and processes continue to deliver this. Regulation is bound by legislated principles of necessity, proportionality and risk.

Issues that require attention

At the same time, there are some clear issues and problems in the system that require the Panel's attention. Some of these have been worsened due to poorly thought out policy changes over recent times. Some key issues include:

- Policy uncertainty: fundamental policy settings changing frequently, making it hard for universities to deliver on their own objectives or the Government's.
- Complication and distortion in funding of university places: the system is unduly complicated. Changes enacted in the Job Ready Graduates package have unravelled the policy logic of the system, created serious unfairness for students and increased the risk of perverse outcomes.
- Inadequate research funding: research funding does not fund anything like the full cost of doing research, leaving universities dependent on international student fee revenue to plug the gap. Over-reliance on international students has implications for other parts of the system too.
- Casualisation of the workforce: policy uncertainty and inadequate research funding helps drive casualisation of the university workforce, with negative consequences for staff and for the nation's research and higher education capacity.
- Limited student income support: income support is at low levels and is not always well targeted. Student mobility is not well supported, limiting student choice. Students doing full-time professional placements often struggle.
- Over-regulation: universities face overlapping reporting and regulatory requirements at Federal and State/Territory levels, and from a range of different portfolios, with negative impacts of efficiency and productivity.
- While demand-driven funding supported historic growth in enrolments by students from equity groups, targets for these students' share of total enrolments have not been met.
- University funding does not make systematic provision for infrastructure.

The value Indigenous people and knowledges bring to higher education and research

We welcome the commitment in the terms of reference to equity and advancement of Aboriginal and Torres Strait Islander peoples, but we are disappointed that student equity is the only context in which the terms of reference consider First Nations peoples.

Continuing to expand access for Aboriginal and Torres Strait Islander students – and working harder to support them to complete degrees – is undoubtedly very important, and so is work to widen pathways into research degrees and build the Indigenous workforce – both academic and professional – at all levels within Australia's universities.

Indigenous peoples and knowledges offer Australia's universities so much more than this. The unique knowledge and knowledge systems held by Indigenous communities are fundamentally important to Australia's intellectual, social and cultural capital. Australia's universities recognise that Aboriginal and Torres Strait Islander peoples were the first teachers, learners and researchers on the lands that universities are built on, but their voices, knowledge and experiences could play a greater role in the important work of universities.

Universities Australia's Indigenous Strategy commits the nation's universities to recognising the value that Indigenous people and knowledges bring to the university system, and therefore embedding Indigenous value systems and knowledges into everything that universities do.

By valuing and embedding Indigenous knowledges and value systems, Australian universities can grow their understanding and mark themselves as unique in the world. This would better reflect the history and reality of our country and help universities to become more accessible to people from all backgrounds.

We urge the panel to take a broad view of Indigenous matters and their place in the review. We would welcome the opportunity to discuss with the panel how universities are working to value Indigenous knowledge and values, and how this approach might inform policy development to drive the future of Australian higher education and research.



Equity, access and success

We welcome the review's strong emphasis on equity in higher education.

Despite very strong growth over the last 15 years in enrolments by students from low SES, Indigenous and regional backgrounds, these groups remain under-represented at the nation's universities.

More has to be done to give every Australian a genuine opportunity to participate in higher education. While continuing to work to expand access, both universities and government need to increase their efforts to help more students from under-represented groups to complete degrees.

Supporting higher levels of participation

Policy settings that maximise opportunity for all students is the first requirement to grow enrolments of students from under-represented groups. Where more opportunities are available to everyone, there will be more opportunities especially for these students. Where participation is artificially constrained, low SES, Indigenous and regional students are always among the first to miss out.

For this reason, an overarching funding architecture that maximises participation is not just about growing skills supply – it is also an important equity measure. The biggest growth ever seen in participation by low SES and Indigenous students occurred while the previous Labor government's demand-driven system (DDS) of funding places supported historic growth in enrolments overall.

Higher Education Loan Program (HELP) is a cornerstone of Australia's higher education system. HELP has enabled millions of Australians to gain access to higher education, and to realise the benefits that higher education brings. By enabling students to defer paying their fees until they are earning a reasonable income, HELP facilitates access to university for students regardless of their financial background. Anything that damaged HELP, or made it less effective or less fair would be detrimental to equity and accessibility in Australian higher education.

Dedicated funding for outreach and student support

A general policy orientation towards growth in overall participation is by no means, a sufficient condition for improvements in equity and access. While numbers of low SES and especially Indigenous students grew faster than all students under the DDS, they started from low bases. And after 10 years of growth, low SES and Indigenous students remained under-represented compared to their share of the total population.

Additional support is needed to enable to students to get to university in the first place and then to succeed in completing degrees.

At the same time that the previous Labor government introduced the DDS, it also set up the Higher Education Participation and Partnerships Program (HEPPP) to underwrite outreach to prospective students and support for low SES students.

HEPPP has been a successful program, but it has never reached the level of investment originally planned (4 per cent of teaching grant funding). A long series of cuts blunted the program over its first decade. More recently, changes to the allocation formula announced as part of the Job-ready Graduates (JRG) package have altered and distorted the program.

Possible approaches to overall equity funding

Under the JRG package, HEPPP – along with two loadings on funding for university places – was wrapped up in a new Indigenous, Regional and Low SES Attainment Fund (IRLSAF). The idea of a single, large fund in this space is reasonable. No progress, however, seems to have been made on the design of IRLSAF.

There is an opportunity for the panel to step in and develop new – and better – approaches to overall Commonwealth support for equity, including both access and success. These could include both specific programs (like HEPPP) to fund outreach and student support, and loadings on funding for student places.

Supporting success while ensuring students get a fair go

A controversial element of the JRG package is a new rule under which a student loses access to a Commonwealth-supported place in their course if they fail 50 per cent of their units. This change was designed to encourage universities to support new students to succeed. We are ready to work with the panel to develop new ways of realising this policy intent without unduly penalising (or alarming) students.

Student income support

One of the key reasons students cite for dropping out is lack of money. Where a student cannot manage their living costs, or balance work and study, they are much more likely to drop out. This is a particular challenge for students from less traditional backgrounds – especially those who are mature age students.

A more effective system for student income support could help address these problems.

The Bradley review made a series of strong recommendations to government in 2008 about how to improve student income support and how to ensure that it was effectively targeted to where it is needed most.

The panel may wish to examine Bradley's recommendations – especially those that were not adopted at the time – as part of work to design a more effective system. In addition, the panel might consider the report of Professor Kwong Lee Dow's review of student income support, delivered to government after the Bradley Review in 2011.

Recommendations:

- Develop policy settings that maximise opportunity for all students as the first requirement to grow enrolments of students from under-represented groups.
- Develop better approaches to overall Commonwealth support for equity, including both access and success.
- Develop new policies to encourage universities to support student success without unduly penalising them.
- Examine the Bradley Review's recommendations – especially those that were not adopted at the time – as part of work to design a more effective system, as well as the subsequent review of student income support by Professor Kwong Lee Dow.



Meeting future demand

The first test of the higher education policy architecture is: does it allow universities to meet demand for skills, jobs and education?

Policy settings must support universities to meet student and labour market demand in the immediate term. However, it must also allow universities to respond effectively to changes in demand, including growth in the aggregate level of demand as well as changes in need for qualifications in particular disciplines or at particular levels of study.

Changes in demand can also involve innovative combinations of courses and qualifications as well as evolution in how higher education is delivered. Changing demand may also require new pathways into higher education, more intensive collaboration with schools and vocational education providers and a wider range of credentialled exit points.

Due to demographic and labour market factors, domestic undergraduate demand for university has been flat in the last couple of years, but this is expected to change over the next few years.

Growth in the youth population will peak in 2024 and 2025. By 2032, there will be 160,000 more Australians aged 17-19 than there are now. Any increase in unemployment from current historically low levels is likely to drive further increases in demand in both the youth cohort and in older age groups.

Labour market demand is there. According to government projections, a million new jobs will be created in the next five years, of which more than half will require a university degree, while nine in 10 jobs will require a post-school qualification.

A more informed approach to meeting demand requires more effective collaboration between universities, TAFEs, employers, schools and community organisations. We welcome interim arrangements for Jobs and Skills Australia (JSA)

as an important step towards better analysis of supply and demand and a more informed and rational approach to planning.

Formal recognition of universities within the scope of JSA is a vital step to ensuring Australia has the strong and skilled workforce to drive a productive labour market in the future, and we welcome the government's recognition of the role higher education plays alongside vocational education.

Lifelong learning, upskilling and reskilling

The current policy and funding architecture for higher education is largely predicated on a model of school leavers doing undergraduate degrees and transitioning straight to the workforce. Of course, this is and will remain a very large part of university activity, but changes in the economy are driving growth in demand for upskilling and reskilling among working adults.

Some of this is met by traditional award courses at the post-graduate coursework level, but much of it is directed towards microcredentials and other new course types. These trends will only intensify, and a future-proof higher education policy framework will need to make more effective provision for these forms of study and the students who aspire to them. Changes in policy, regulation and funding will be needed.

Universities produce skilled, adaptable graduates who are prepared not only for their first jobs, but for varied, changing careers. Graduates' employment outcomes are strong, and employers' satisfaction with their graduate employees is very high.

Graduates of more generalist degrees have somewhat lower employment outcomes straight after university, but they close the employment gap within the first three years.



By 2032 there will be **160,000** more 17-to-19-year olds

Over the next five years **1 million jobs** will be created.
600,000 will need a university degree.

Current funding arrangements

Current university funding arrangements effectively cap the number of students that a university can enrol. Caps are indexed at inflation and there is also provision for a real growth factor. However, this is not systematically related to demand for places at university.

We recommend the panel considers options for flexible agreements between government and universities to make funding available for different mixes of provision and activities in accordance with a university's institutional mission and the needs of its local (and wider) community.

Universities can now use their government funding envelopes to fund courses at different levels of the Australian Qualifications Framework, which is a significant improvement. More work is needed on the range of different courses that universities offer and will offer in order to meet Australia's skills needs, and which of these should be eligible for different forms of Commonwealth support (including direct grant funding and student loans).

Work-integrated learning

Australia's universities offer a broad range of opportunities for students to engage with employers while they are undertaking their degree. These experiences enable students to apply the generic and technical skills they have learned to real work situations, prepare them for the workforce and ensure employers have the skills they need to operate.

Work-integrated learning (WIL) is an umbrella term for this range of internships, projects, simulations, fieldwork and other activities.

Successful WIL initiatives need to be genuine partnerships involving employers, universities and students. Resourcing is a major barrier to small businesses. The panel may wish to consider targeted interventions to support collaboration. This would improve the potential for innovation and improved productivity for current and future employees coming out of a dedicated WIL pipeline.

Equity and access: an economic and moral imperative

Any efforts to improve universities' capacity to meet the nation's skills needs must recognise that entry to higher education is not a level playing field. Large segments of Australia's population, including people from low SES backgrounds, Aboriginal and Torres Strait Islander peoples and people from regional and remote areas are less likely to enter university and to get a degree. Increasing participation and attainment is an obvious place to start where the country needs an increase in graduate skills.

Recommendations:

- Ensure that policy settings allow universities to respond effectively to changes in demand, including:
 - growth in the aggregate level of demand
 - changes in need for qualifications in particular disciplines or at
 - particular levels of study
 - changes in delivery, and
 - new pathways and exit points.
- Consider changes in policy, regulation and funding needed to meet growth in demand for upskilling and reskilling among working age adults.
- Consider options for flexible agreements between government and universities to make funding available for different mixes of provision and activities in accordance with a university's institutional mission and the needs of its local (and wider) community.
- Consider the range of different courses that universities offer to meet Australia's skills needs, and which of these should be eligible for different forms of Commonwealth support (including direct grant funding and student loans).
- Consider targeted interventions.

Research and innovation

Research is a core activity of Australian universities and one for which the nation has an equally compelling need.

The research pipeline

Research is a long-term activity – today's technology and innovation may rely on research conducted decades ago. Similarly, the innovations of the future depend on research happening right now. It will be too late in 10 or 20 years to recognise the fundamental research breakthroughs required for the applied innovation needs of the day.

Through the review, Universities Australia seeks a policy and funding framework that supports the whole research system in a balanced way. Boosting research translation (including commercialisation) to enable the widest possible benefit from university research is undoubtedly important, but so is supporting the basic research without which there would not be new ideas to translate.

A balanced and predictable funding system is essential to retaining and developing Australia's world-class research workforce and to providing the opportunities and career pathways that will keep our best and brightest here and attract researchers (including expat Australians) from around the world.

Basic research provides the new knowledge that leads to all the other results. It does not always fit easily into accepted short-term incentive frameworks, yet history has repeatedly reinforced the central part that basic, curiosity-driven research plays in driving prosperity and progress. Breakthroughs in basic research can have unpredictable impacts over time.

To improve translation and commercialisation of university research, universities need to reach out,

but business also needs to reach in.

Universities and other parts of the research system

Universities carry an increasing share of the nation's research effort. While it is not surprising that universities do 87 per cent of the nation's basic research, they also do 45 per cent of applied research – which is more than industry.

In total, universities do 36 per cent of Australia's total research – a high figure by OECD standards (the OECD average is 16 per cent). This is despite government investment in research as a percentage of gross domestic product declining. Despite that, universities are carrying an ever-greater share of Australia's research and development effort. Universities' share of Australia's total R&D expenditure has increased by 12 per cent since 2008.

The panel may wish to consider the respective roles of the various different actors in the national research system and how their efforts can be coordinated to ensure an effective national research effort.

Government's role in supporting research

Government has a particular role in providing long-term support for university research that builds a pipeline of innovative ideas. Translating research findings to boost productivity and help Australians depends on a supply of bright ideas from a thriving research sector. Public investment in university research must maintain the research pipeline: universities need to be able to conduct a reasonable volume of research across a wide range of areas to guarantee a supply of ideas to translate.



A balanced and predictable funding system is essential to retaining and developing Australia's world-class research workforce and to providing the opportunities and career pathways that will keep our best and brightest here and attract researchers (including expat Australians) from around the world.

As well as fostering the research necessary for translation and impact, universities, with the support of government, provide the expertise to effectively adapt and adopt research, and to respond to Australia's most pressing challenges. This expertise is not developed overnight, but instead through persistent investment in the development of Australia's national capabilities and workforce.

The federal government funds university research through a number of funding lines, including through competitive grants through the Australian Research Council and the National Health and Medical Research Council. Competitive grants are supplemented with Research Block Grants (RBGs) allocated by formulas which take account of a university's success in gaining competitive grants.

Together, competitive grant funding and RBGs cover only part of the cost of carrying out the research projects for which grants are received. This system effectively penalises universities for their research success and requires universities to seek funding from other sources (especially international student fees) to fill the gap. It is thought that for every \$1 of competitive research grants received, universities must find an additional \$1.50. Recently, the Medical Research Future Fund has also become a significant source of research grants, growing the research effort but exacerbating the challenges of meeting the indirect costs of research.

Improvements in research funding

There is a strong argument for a research funding system that more accurately recognises the cost of doing research – not only on the grounds of effectiveness and basic fairness but also because it would rebalance other parts of the university system.

Apart from how Australia funds research, total levels of funding are fairly low. Australia's total investment in R&D has been declining for over a decade and is well behind international competitors. At 1.79 per cent of GDP (2019), Australia lags behind its competitors and is now well below the OECD average of 2.67 per cent in 2020. This contrasts with a small but steady increase in the OECD average over the same period, from 2.24 per cent (2010) to 2.67 per cent in 2020.

Australia needs a strong business R&D sector to make the most of commercialisation opportunities from university research, ensuring a continuing flow of ideas and products into the economy and into society.

University-driven research has long prepared Australia – and the world – for new challenges and fresh opportunities. In the face of economic challenges, regional and global instability and a new industrial revolution, university research and development is becoming increasingly more important.

Expenditure on the Research and Development Tax Incentive rose sharply from 2010-11 (\$1.895 billion), to \$2.982 billion in 2011-12, standing at \$2.919 billion (budget estimate) in 2021-22. Business investment as a share of GDP has been declining from an all-time peak of 1.37 per cent in 2008 to 0.92 per cent in 2019.

In other words, a cumulative investment of \$35.552 billion by taxpayers since 2008 into business R&D has witnessed a decline in business R&D investment. The total R&D performed (GERD) in 2019-20 was \$35.602 billion. It is essential that the government examine its business R&D investment alongside policy principles of additionality, efficacy and whether it induced absorptive capacity.

Recommendations:

- Consider a policy and funding framework that supports the whole research system in a balanced way, from basic research to research translation and commercialisation.
- Consider the respective roles of the different actors in the national research system and how their work can be coordinated to ensure an effective national research effort.
- Examine and address the shortfall in research funding to create a system that more accurately recognises the cost of doing research.
- Work to raise Australia's total investment in research to the OECD average.
- Examine business R&D investment – especially the R&D tax incentive – in light of policy principles of additionality and efficacy.

Infrastructure

For several years, no dedicated infrastructure funding has been available to Australia's universities.

While base funding for university places includes a notional amount for maintenance of facilities and Research Block Grants provide some support for costs of equipment, funding for major capital costs is lacking.

As a result, there is a significant backlog of maintenance in the university sector. This issue is particularly acute for smaller, regional universities where limited financial resources combined with the increased cost of construction work has caused delays in critical maintenance and repairs.

Just as importantly, limited funds for capital costs limit universities' capacity to develop the hi-tech contemporary teaching spaces to deliver the highest quality learning experience to students.

Similarly, universities' capacity to maintain and improve research infrastructure is limited, outside of funding for some research projects and limited numbers of major national research facilities and infrastructure supported by the National Collaborative Research Infrastructure Strategy.

We need to consider an approach to core funding for universities which includes a more realistic component for capital costs and which gives universities more flexibility to spend Commonwealth grant money according to their particular institutional needs.

Recommendation:

- Consider an approach to core funding which includes a more realistic component for capital costs, and which gives universities more flexibility to spend Commonwealth grant money according to their particular needs.



Diversity in the sector

Australia's universities need a broad national strategy and vision and to set stable and predictable policy.

To meet a strategy's goals – and the nation's needs – universities need to have the freedom to contribute in a range of different ways. Universities should play to their strengths, and work to meet the needs of their communities.

Australia's university sector is diverse: institutions have widely differing histories, missions and priorities and they serve a range of different communities in different ways. However, policy and funding could do more to recognise this diversity and to support universities to develop more distinctive missions.

Policy settings should empower universities – not constrain them.

Policy settings to support diversity

Universities Australia advises the panel to examine options for policy settings that place greater emphasis on developing and supporting each university's unique institutional mission, and the contribution this can make to realising national goals. Of course, government does not mandate what universities – as autonomous institutions – do, but there is always a risk that uniform policy and funding settings can by default function as a kind of command and control system. This limits and distorts universities' missions and it fails to get maximum value for the nation from its world-class university sector.

A more flexible funding system, where universities receive an operating grant for a mix of activities agreed with the Commonwealth through a regular process, could support greater diversity. Universities would have discretion to spend the money as they needed to in order to achieve the agreed goals, within appropriate (and agreed) guidelines. To be effective, the funding period would have to be more than a year: we suggest a three-year agreement as a model worth investigating.

Universities would be accountable at the end of the funding period for their performance against agreed goals and targets (rather than for exactly how they have spent the money). The panel may wish to consider how the Compacts process might be strengthened and improved to develop such an approach to funding.

Of course, there are other ways in which increased diversity could be achieved and we look forward to discussing a range of possible futures.

Recommendations:

- Examine options for policy settings that place greater emphasis on developing and supporting each university's unique institutional mission, and the contribution this can make to realising national goals.
- Consider options for a more flexible funding system, where universities receive an operating grant for a mix of activities agreed with the Commonwealth through a regular process, could support greater diversity.

Regulation

Australian universities are autonomous institutions with a range of reporting and compliance obligations under both Commonwealth and state and territory legislation.

Universities' main financial reporting obligations are to state and territory governments (though nearly all government funding comes from the Commonwealth).

Universities are also subject to state and territory legislation on such matters as workforce and working conditions, financial management and disclosures, human rights, environmental protection and recordkeeping.

It remains the case that universities face oversight and expectations from an expanding list of Commonwealth departments and agencies. Those departments and agencies include, but are not limited to:

- Department of Education
- Department of Home Affairs
- Department of Defence
- Attorney-General's Department
- Department of Foreign Affairs and Trade
- Department of the Prime Minister and Cabinet
- Tertiary Education Quality Standards Agency, and
- Australian Research Council.

This lack of coordination is counterproductive. Whilst each government department and agency is working within its own remit, the combined effect on individual universities is in real danger of being counter to the aims of government.

The Tertiary Education Quality and Standards Agency

The Tertiary Education Quality and Standards Agency (TEQSA) is the main national regulator of higher education providers, including universities. TEQSA regulates providers against a set of Higher Education Threshold Standards. This is how universities' core activities in teaching, research and community engagement are regulated.

TEQSA is bound by legislated principles of necessity, proportionality and risk. TEQSA's regulation of autonomous, self-accrediting universities is based on recognition that universities practice effective self-regulation and quality assurance.

TEQSA monitors universities' policies and processes to ensure that they are fit for purpose – that is, that they enable universities to remain compliant with the threshold standards. As a rule, TEQSA does not intervene directly at an operational level in universities' specific regulatory activities.

TEQSA and the threshold standards set out what universities are required to do; it is appropriately left to autonomous, self-accrediting universities to work out how they will do it. TEQSA then holds universities to account for what they say they will do.

This is a model of appropriate and efficient regulation of autonomous, self-accrediting institutions.

The panel may wish to consider how these principles might be effectively applied to university regulation and reporting more generally.

Universities and national security

In recent years, universities have been subject to increased regulation in areas related to national security. We completely agree with the objective of a safe and secure Australia and urge the government to be risk-proportionate and coherent in its approach to policy and regulation.

Universities are rightly subject to regulation to meet the expectations of the community, students, staff and governments. However, over-regulation stifles innovation and wastes resources that could otherwise be used for important teaching, research and community service. There is an important balance to be struck between maintaining community standards and removing inefficient red tape.

Increasing compliance requirements

In addition to legislation and regulations, which are important for a well-functioning university system, there has been a trend increase in recent years in the burden of quasi-regulation that has imposed additional regulatory compliance activities. While such guidelines are not compliance documents, there are nevertheless expectations about how universities respond to the advice contained in them.

Streamlined regulation to support productivity

Regulation should support our universities to build Australia's productivity through innovation and safeguard our global reputation for high-quality education and research. Together, universities and government can strike a balance of regulation that will re-energise Australia's productivity.

Recommendations:

- Address overlap in universities reporting and regulatory requirements.
- Consider how TEQSA's principles of necessity, proportionality and risk might be effectively applied to university regulation and reporting more generally.



Universities Australia's policy agenda

In April 2022, Universities Australia released a pre-election policy platform: Built on Bright Ideas. The platform called for greater access to university education, a sustainable research policy and funding system, more effective incentives for research commercialisation, enhanced global connections and commitment to lifelong learning for all Australians.

Access to university education

Universities and Government should work together to ensure that all Australians have a genuine opportunity to choose a university education. The uncapped system should be extended to all Aboriginal and Torres Strait Islander students, regardless of their postcode.

Government should ensure sufficient fully-funded places are available at universities to meet growing school-leaver population and employer demand and expand resourcing so that universities can support students facing additional barriers to participation.

Research sustainability

Keep Australia's researchers pursuing the breakthroughs that benefit all Australians with increased, substantial and long-term investment in university research, and ensuring a strategic balance of basic, applied and translational research. Government investment in research as a share of GDP should match the OECD average and grow commensurately with the size of Australian economy.

Research commercialisation

Stimulate commercialisation of research with direct incentives for business to back university ideas, moving away from the current heavy reliance on the indirect incentive provided through the Research and Development Tax Incentive (RDTI). This should include demand-side programs like technology vouchers and the scaling up of the Business Research Innovation Initiative. Universities Australia welcomes the significant investment of the National Reconstruction Fund and looks forward to understanding the details in relation to business R&D as well as the university sector's research efforts.

Community engagement

Help universities serve their communities through new initiatives that encourage partnership with community organisations to deliver and improve services that benefit us all.

Health workforce growth

Grow and upskill the health professional workforce so that we can adequately meet our known workforce needs, especially in aged, primary, Indigenous and mental health care and disability, as well as the unknowns that may return through future natural disasters and pandemics.

Global connections

Establish clear plans that put Australia's international education and research collaboration back on the world stage. Support universities in encouraging international students and researchers to, once again, make Australia their destination of choice.

Life-long learning

Provide flexible access for learners to access higher education as they need it, when they need it. Expand FEE-HELP to microcredentials and shorter courses to ensure that Australians can up-skill and re-skill as they need to.

Universities Australia

1 Geils Court, Deakin ACT 2600

P +61 2 6285 8100

E contact@universitiesaustralia.edu.au

universitiesaustralia.edu.au

