

Professor Mary O’Kane AC
Chair, Australian Universities Accord Panel

Dear Professor O’Kane and colleagues

Congratulations on the Universities Accord Interim Report, a thought-provoking document which has prompted national conversation and discussions about the future of higher education in Australia.

At the University of Tasmania, we are pleased to see that the Interim Report provides a place-based approach to improving educational access and equity for those who are educationally disadvantaged. We support the key priority actions identified within the Interim Report and appreciate the extension of the Higher Education Continuity Guarantee for a further two years. We welcome the commitment to additional University Study Hubs and look forward to further detail on how we can support more Study Hubs to be established in Tasmania. We strongly agree with the Interim Report’s focus on increased participation from groups with lower participation rates and propose a model by which that could occur in our attached submission.

We agree with the Interim Report’s suggestion that Australia would benefit from institutions with strong, unique missions supported by place-based compacts. However, we do not support the establishment of a National Regional University as we consider it would undermine our efforts to anchor our university in place with a stronger base in the local community. As an alternative we propose that universities in both regional and metropolitan settings be incentivized to diversify and partner to form university systems based on shared strengths and mutual intent. The proposed Tertiary Education Commission will be critical to strengthening the integration of the tertiary sector.

We are pleased that the Panel signalled the need for a clear national research roadmap with an appropriate research funding system, which recognises the full cost of research. This will protect research basics and for university research to be more effectively translated for societal benefit.

We recognise the need to expand the sources of funding for research. A significant opportunity that doesn’t seem to have been considered is the use of social bonds and the opportunity for universities to access them for major impact-oriented research. We suggest the Panel recommend analysis on a nationally agreed social bond framework and a social bond seed capital fund to initiate impact-gear research, so the work can start to be delivered before the benefit is realised.

We would welcome the opportunity to engage with the Accord Panel and the Government to further discuss and develop any of the ideas in our submission.

Yours sincerely

Professor Rufus Black
Vice-Chancellor

1 September 2023

Office of the Vice-Chancellor



Australian Universities Accord: Interim Report Consultation

University of Tasmania Submission

1 September 2023



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Image: University of Tasmania students at the West Park campus in Burnie

The University of Tasmania's Response to the Accord Panel's Interim Report

Our contribution in response to the Interim Report is to offer solutions on two key issues:

1. the design of a sustainable future funding model that meets the objectives of greater equity, significant growth in student numbers, improved student experience and greater national productivity; and
2. a strategy to diversify the sector while managing the increase in scale.

Designing a sustainable future funding model

To meet the objectives of the Interim Accord Report, we propose the Tertiary Education Commission develop a funding model with three student components and three institutional components. We envisage this would replace the current ad hoc and partial measures. Our proposed model incentivises student completions, creates the grounds for social mobility for equity cohorts, promotes regional social and economic equity, and encourages a more diversified system while retaining student choice. The proposed approach is detailed below, and a visual model is provided in Appendix 1.

Student funding components

Our proposed funding model features three components pegged to student numbers: base level funding, equitable access funding and equitable participation funding.

Base Level Funding: The system requires a base level of per student funding to cover the average cost of delivering higher education. This can be determined from a set of universities that represent a medium case in terms of size, mix of students, and diversity of offering. These averages should be normalised for university performance eg retention and student outcomes. We consider that this base funding should be deployed by universities flexibly to meet the offerings required by the communities they serve, including micro-credentials. Agreeing pricing policy for micro-credentials is key if the tertiary sector is to respond in an agile way to the needs of industry, business and local communities (refer Appendix 2).

This base level funding should determine the split between the student and government contribution. The existing HELP scheme is underpinned by principles of equity. The relative contribution split should be based on an estimation of the public and private benefit of higher education. This requires a complete overhaul of the current cluster rates. Our view is that all students in any category should make the same HELP contribution regardless of equity or regional payments that may result in government contributions to a student's education being effectively higher. This avoids the unfair burden of disadvantaged students carrying the cost of overcoming their own disadvantage.

Equitable Access Funding: We propose that the base funding is supplemented by equitable access funding based on targeted participation rates and/or with the following aspects:

1. *Engagement funding.* Successful efforts to increase participation requires university staff to engage with school students and adults from under-represented backgrounds at events in their community. The cost of these initiatives across the sector needs to be modelled to provide a baseline. Adjustments from that baseline would best be done through a formula based on participation levels in their catchments, regional/remote status, the relative cost of delivery, and anticipated increases in participation.
2. *Enabling load.* Enabling load refers to pathways program which have proven to be an effective means to increase participation and should be available to universities through a compact structure with reference to their catchments.
3. *Living costs.* The cost to students supporting themselves while studying remains a major barrier to access and completion. This is especially the case where students are required to undertake placements during which they are often on placement full time and unable to undertake their regular paid work. Providing scholarships is one potential measure to address this barrier and another is reform of the income support system which may include the uplift of Youth Allowance, or the creation of a means tested payment to cover the additional costs associated with educational placements and internships.

Equitable Success Funding: We propose further funding to support participation based on:

1. *Preparedness funding.* Students from educationally disadvantaged circumstances are under-prepared to complete and succeed. Typical strategies to address this require additional tutorial support or small group learning. Preparedness of students is not evenly distributed across the system. Funding adjustments for universities with a higher proportion of less prepared students, using SES background as a proxy for preparedness and need, is required to enable them to provide an equivalent level of support across their student body, creating stronger pathways for completion.
2. *Funding for student wellbeing.* There is a strong correlation between student wellbeing and mental health and educational outcomes. To support students, universities need to provide primary prevention, early intervention, and coordination with other social and health services to manage more complex needs. The funding adjustment for the provision of these services should be weighted against public health need drawing on documented Australian standards and relativities. The development of this measure could draw on the recently introduced QILT program for student wellbeing and belonging.
3. *Indigenous student funding.* For Indigenous students to participate and achieve at equivalent levels to other students, it is necessary for universities to provide dedicated programs and support, with funding linked to Indigenous student enrolments.
4. *Disability and neurodiversity funding.* Physical and intellectual disabilities and neurodiverse students like those with dyslexia or autism require additional assistance or adjustments to participate and achieve at the same levels as other students. The 'Gonski' scheme provides such adjustments to school students. Universities are sufficiently similar to schools in this regard that it would be equitable to continue the same scheme of support provided in school into higher education.

Institutional funding components

Our funding model also includes three components related to the nature of institutions and the communities they serve: regional equity funding, place and mission based funding, and capital equalisation funding.

Regional Equity Adjustments: To deliver courses in Australia's socio-economically disadvantaged regions (rural and remote Australia, outer metropolitan areas) costs more because the costs per student are higher on smaller campuses where class sizes are on average substantially lower and the fixed overheads of running a campus are spread over a much smaller number of students. Total costs are ultimately driven by the number of campuses and the courses offered, which means there is no simple formula. The funding level will need to be determined by broader policy decisions about the value of having a higher education offering in particular areas. The return on the investment needs to be central to the calculation. In Tasmania, our university makes a significant investment in our smaller regional campuses located in Launceston and Burnie. Modelling the economic return and health benefits just from the additional students that obtain a degree through being able to study locally shows the return on regional education is over three times the value of the investment (refer Appendix 3). In our view, determining the level of funding should reflect the economic uplift that derives from having universities in these regions.

Place and Mission Based Funding: To support universities to deliver the needs of their communities, there should be a specific place and mission-based funding stream. This will enable universities to become a sustained source of competitive advantage, to attract students and/or resources, and to provide unique community benefits and social impact. Funding could be directed to either, or both, a distinctive place-based or a mission-based offering, where mission-based funding is the ability to support national research priorities or regional capability building. This funding could be provided not just to a single university but to a consortium of universities delivering on aligned missions or capabilities. Such funding should complement and leverage investments by universities and other funding partners such as industry or philanthropy to enable universities to cross the threshold to sustained competitive advantage.

Capital Equalisation Funding: The costs of capital renewal create significant inequalities that require weighting. Universities in advantaged settings, with historically strong brands, leverage to create surpluses. This supports both capital maintenance and capital renewal to drive improvement in research productivity, the student experience and to build the type of contemporary facilities designed to improve learning outcomes for a more diverse student cohort.

Universities without these advantages are faced with the choice of covering capital renewal costs at the expense of teaching quality, student experiences and retention of academic staff of global calibre. As the cost of research equipment inflates, this gap will increase, undercutting our national ambition to be globally competitive. The University of Tasmania is a clear case of this where an ageing capital infrastructure across the city of Hobart campus has created a very large backlog of maintenance with an associated bill. In Launceston and Burnie, we required additional government investment in new campuses for the University of Tasmania to sustain a viable presence. We propose the Tertiary Education Commission develop an appropriated adjustment factor that bakes in capital renewal to university funding.

Realising the benefits

To shorten the timeframe between agreement of a new funding model and the full realisation of its impact, we propose adjusting downwards the level of base student funding to universities with historic advantages or whose particular circumstances enable them to generate large international student revenues. Targeted at the right level, this would not disincentivise those universities from increasing their additional sources of revenue, but it would create the funds to progress a more equitable system. This would also be in line with the Gonski approach to school funding.

Creating diverse higher education systems to serve growing student numbers

Secondly, we offer a proposal in response to the reality that catering for significantly larger number of students over time will require larger universities, more universities, increased international campuses of leading foreign universities, or the growth of non-university higher education providers (NUHEPs). Australian universities are very large by global standards which creates diseconomies of scale from a student experience perspective. Creating new universities is a high risk strategy. They will have to create education brands, build staff and institutional machinery from scratch in a highly competitive environment. Increased international campuses would risk undermining national capability. A dramatic growth in NUHEPs would carry a range of risks.

An alternative would be to incentivise existing universities to become university systems comprised of largely autonomous entities supported by central shared services. They could exist across regional settings where, for example, a system could include a research-intensive sciences college, a liberal arts college, a professional college, and a pathways college. In a metropolitan setting, Group of Eight universities could create entities ranging from a globally leading research-intensive medical science university, which might include a number of medical research institutes, all the way through to small liberal arts entities, perhaps built around some of their residential colleges. A funding stream should be created to encourage the inclusion of TAFEs into the systems which would respect their identity and autonomy but allow them to be better integrated and to be self-accrediting.

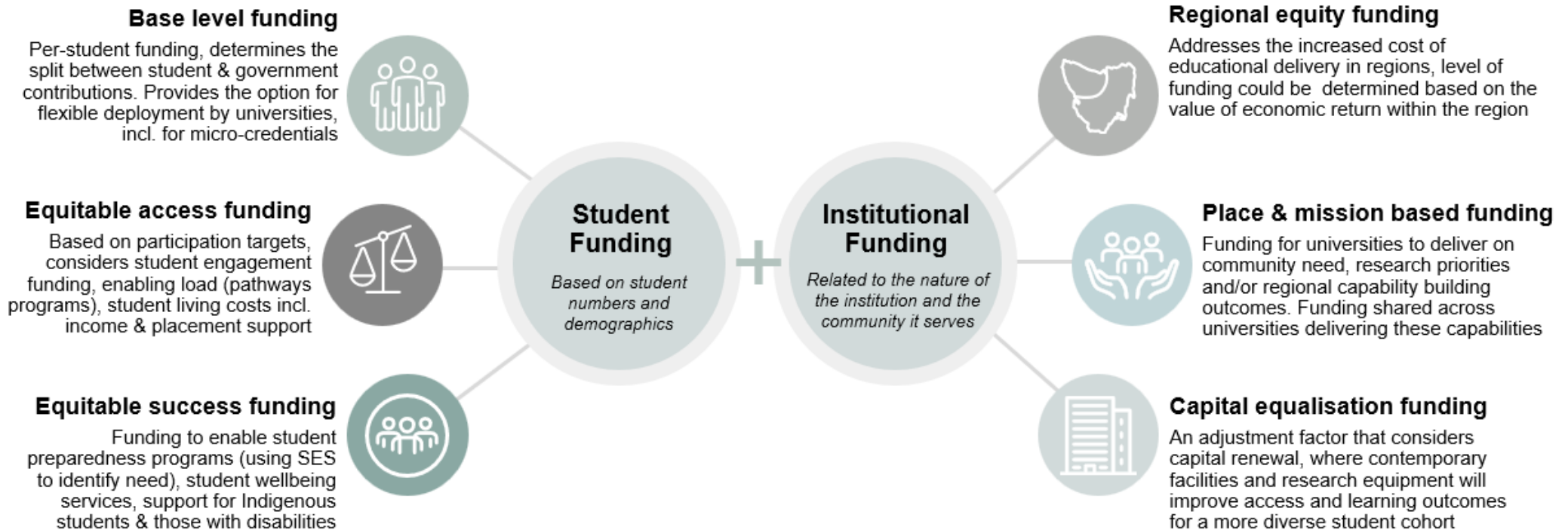
The advantage of this approach is that existing brand advantages are leveraged, overheads like shared services are distributed rather than duplicated, and the organisational capabilities of autonomous entities can be built in a collaborative and evolutionary way. The overarching shared services would not just provide a reduced overhead structure but could play a very valuable role strategically in steering the system to meet key equity and impact targets. In a national system with a growing number of entities, the proposed Tertiary Education Commission would only need to deal with university systems, not every entity.

As new entities evolve, they would require different funding structures. Funding liberal arts is a very different proposition to medical science. It should be the task of the Commission to evolve new models out of the existing structure. The basic framework provided in the previous section should be able to support that evolution by developing new base level funding for the different types of universities that emerge, using the institution-based funding levers. A regional and metropolitan pilot could further de-risk this evolution to a more equitable, student centric, diverse, and globally competitive system.

Appendix 1: A sustainable future funding model

The funding model proposed by the University of Tasmania is comprised of both student funding components and institutional funding components. This model has been designed to achieve the Accord Interim Report objectives of a more equitable and diversified tertiary education system.

Figure One: Proposed higher education funding model

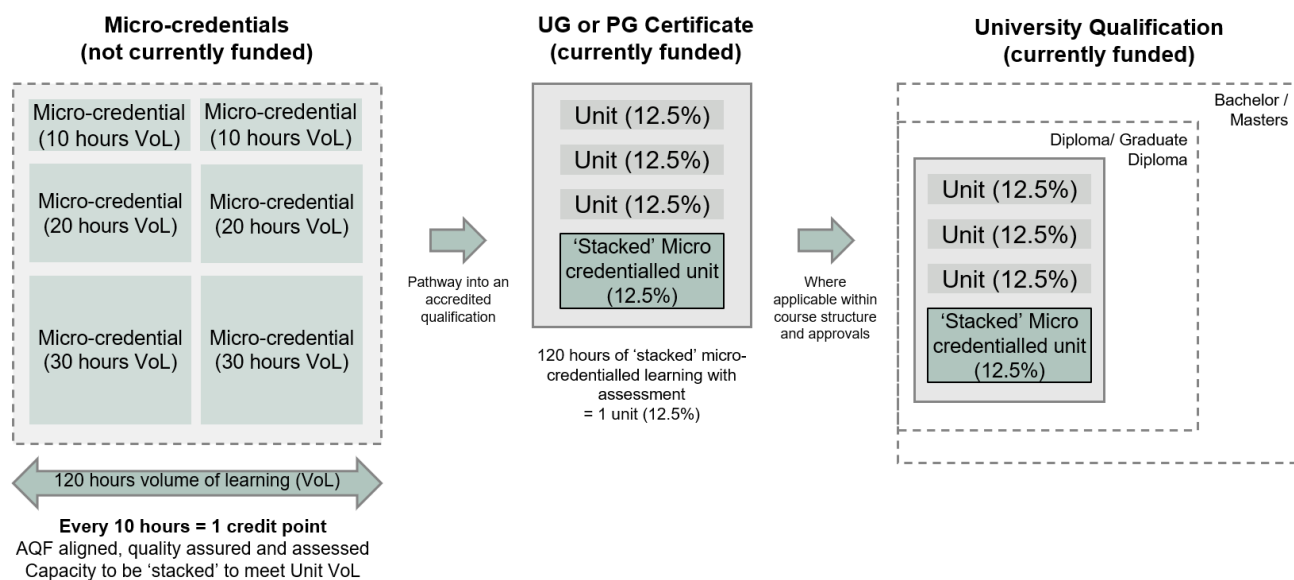


Appendix 2: Proposed micro-credential funding framework

The University of Tasmania's stackable micro-credentialling framework is designed to be responsive to industry demand and non-traditional student needs, and to support increased access to tertiary qualifications through shorter-form offerings (see Figure One).

This model is aligned to the [National Micro-credentials Framework - Final Framework](#) (Department of Education, Skills and Employment, PWC, November 2021), and demonstrates how micro-credentials can be designed as stackable pathways into accredited qualifications.

Figure One: University of Tasmania micro-credentialling framework



This model supports the Accord interim report's objective of improved access to education and contributes to the development of a skilled and more productive Australian workforce.

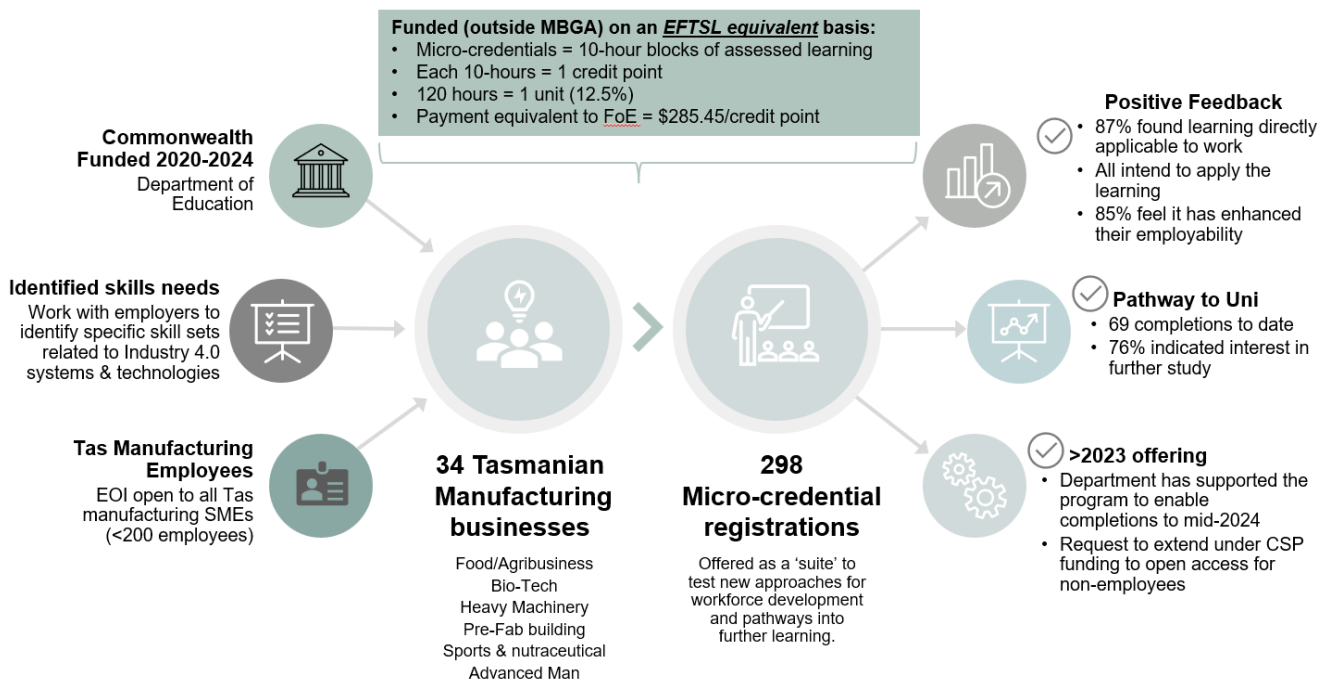
At the University of Tasmania our experience in delivering short courses shows there is a strong appetite for shorter form learning, with 12,500+ short course participants, 2,474 enrolments in Undergraduate Certificates and 7,758 enrolments in Graduate Certificates between 2020 and 2022. Mapping details of short course participants to university enrolment data (n = 1,500), indicates that approximately 70% are female with an average age of 39, and 75% are likely first in family to attend university.

Given these participation rates and typical student demographic, we propose that flexible funding which can be applied to micro-credentials in addition to degree level qualifications will enable increased participation from a more diverse population.

We suggest an approach which breaks down cluster funding at a unit level into a funding rate per hour, so the per hour rate can then be applied to micro-credentials based on the prescribed volume of learning hours. In this approach the cluster rate assigned at a unit level would need to be the university's equity adjusted rate, rather than the base rate, to support the higher enrolments from educationally disadvantaged students that short form courses attract.

Micro-credentials, in addition to providing an alternative pathway to university qualifications, can be designed to respond to skills needs or gaps within industry. Even when participants do not continue to further tertiary study, we have received positive feedback on the short form learning experience particularly in relation to flexibility of study and direct relevance to required skills within the industry. An example of this approach in practice is provided in Figure Two.

Figure Two: Building future skills for Tasmanian Manufacturing businesses using micro-credentials as alternative learning pathways to university – a pilot.



We are currently participating in the [Micro-credentials Pilot in Higher Education program](#), with three University of Tasmania proposals funded under Stage One. We strongly support this program’s approach to micro-credentials developed in partnership with industry to meet skills needs and gaps, and which contribute credit towards further study to enhance student outcomes.

We would encourage the Accord Panel’s consideration of a flexible funding model which would enable Universities to deliver short form education where beneficial, to meet student and industry needs.

Appendix 3: Modelling the economic return and health benefits of regional campuses

Model Overview

An economic impact estimation model has been developed for estimating the marginal economic implications of the uplift that is achieved in student attainment through the University of Tasmania providing students with access to regional campuses in Burnie and Launceston.

The model is based on a range of relevant data sources, including the Australian Bureau of Statistics (ABS) data on median salaries, underlying qualifications by region at Statistical Level 4 region level, Australian tax rates, welfare rates, research into health outcomes and UTAS completions and enrolment data. The model focuses on estimating the economic impact through the Net Present Value (NPV) framework, encompassing impacts on government revenue and welfare payments, individual incomes and the value of their improved health outcomes, and the value to the broader economy.

Variables

The model integrates a range of key variables that influence economic impact, including:

1. Savings Rate: The proportion of income saved for future investments or consumption vs the proportion that is spent directly and multiplies through the economy.
2. Number of Additional Degrees Completed: The annual quantity of educational degrees that are completed due to the presence of the Northern Campuses.
3. Discount Rate: The rate used to discount future cash flows to present value.
4. Value of a Statistical Life Year: The assigned economic value to extending one's life by a year.
5. Age-Related Discount: Adjustment for the impact of age on the economic value of life years.
6. Wage While Studying: Income earned while pursuing education.
7. Life Expectancy Other Post Secondary (at 25 Years Old) and Life Expectancy No Post Secondary (at 25 Years Old): Life expectancies for individuals with and without post-secondary education.
8. Life Expectancy for 25-Year-Old, 2021: Base life expectancy for a 25-year-old in the year 2021.
9. Long Term Health Benefits/Lifetime Earnings Ratio: The ratio of long-term health benefits to lifetime earnings.

Methodology

The general methodology of the model estimates the various economic impact measures as follows:

1. Use completions data for Launceston and Burnie campuses, adjusted by comparing student numbers before and after new offerings are taught at those campuses, to estimate how many additional tertiary qualifications on average are being completed due to the presence of the regional campus locations.
2. Calculate the proportions of the underlying populations with specific qualifications. Use this information to infer the type of qualifications those additional students would otherwise be assumed to complete if they weren't competing a tertiary degree.
3. Look at the Median Salary of the alternative qualifications vs degrees for these additional completions and calculate the differences in:
 - a. Tax Revenue
 - b. Net Income
 - c. Welfare (if applicable)
4. Calculate the Government benefit as Increase in Tax Revenue + Decrease in Welfare Expenditure
5. Calculate the Individual benefit as Increase in Net Income – Decrease in Welfare
6. Calculate the Economic benefit as the individual benefit divided by the savings rate.
7. Calculate the Perpetual Health Benefit by multiplying the lifetime earnings by the Long-Term Health Benefits Ratio.
8. Calculate the Longevity value of additional average lifespan derived from the model inputs on life expectancy, Value of a Statistical Life Year, and age-related discount.

The final model produces estimated values for Steps 5-9 above. The sum of these provide an estimate of the net present economic value from uplift in education outcomes from having Launceston and Burnie campuses, including increases in health outcomes and government revenue.

Note that this model is focussed solely on the benefits from additional student completions associated with a regional campus presence. It does not account for additional benefits from having campuses located in regional areas, such as uplifts to local economies from have staff situated in the Northern regions, economic benefits from the creation of new enterprises arising from research conducted in the regional, nor other broader social and community benefits.

Table One: Key Model Parameters

Editable Parameters	Value	Source
Savings Rate	25.66%	World Bank Final Consumption of 74.34% over 5-year average, for Australia, 2017 - 2021
Discount Rate	4.00%	Department of Treasury and Finance, NSW (DTF) Technical Guidelines on Economic Evaluation
Value of a Statistical Life Year	\$222,000	Department of Prime minister and Cabinet Best Practices
Age Related Discount	59%	Abelson (2007) ¹
Wage while studying	\$16,758	Universities Australia (2017) ²
Life Expectancy Other Post Secondary (at 25 Years old)	1.8	"Inequalities in life expectancy in Australia according to education level: a whole-of population record linkage study" Average across Gender and Year 12 Status
Life Expectancy No Post Secondary (at 25 Years old)	5.2	As above
Life expectancy for 25-Year-Old, 2021	84	ABS Life Tables, 2021
Long Term Health Benefits/ Lifetime Earnings Ratio	40%	Deloitte Access Economics (2016) ³

¹Abelson, P. (2007). *Establishing a Monetary Value for Lives Saved: Issues and Controversies* (Working Paper No. 2008-02). Department of Prime Minister and Cabinet. https://oia.pmc.gov.au/sites/default/files/2021-06/Working_paper_2_Peter_Abelson.pdf

²Universities Australia. (2018). *2017 Universities Australia Student Finances Survey*. <https://www.universitiesaustralia.edu.au/wp-content/uploads/2019/06/180713-2017-UA-Student-Finance-Survey-Report.pdf>

³Deloitte Access Economics 2017, *Estimating the public and private benefits of higher education*, Department of Education and Training, Canberra, <https://www.dese.gov.au/higher-education-reviews-and-consultations/resources/estimating-public-and-private-benefits-higher-education>.