

**Financial Review Higher Education - Special Update Conference:  
Transforming Australia's Education System  
Monday 9 November 2009**

**Key Note Address by Ms Lisa Paul PSM**

Thank you, Professor Cameron, for that introduction and to the conference organisers for the invitation to speak today.

I'd like to begin by acknowledging the Traditional Owners and custodians of the land on which we are gathered, the Gadigal people of the Eora Nation and pay my respects to their Elders both past and present.

When the Deputy Prime Minister launched the Bradley Review last year she pointed to the important role that our universities play in expanding the horizons and opportunities of all Australians through access to quality higher education.

In responding to the Bradley Review, the Government has committed to enhancing the capacity of our universities, with the aim of supporting a world-class higher education system which can contribute to a world class economy.

Already a number of universities are beginning to demonstrate their willingness to play their part in increasing the number of Australians with a higher education qualification and to help lift the higher education participation of those who would not normally consider going to university.

These higher education outcomes are fundamental to the Government's broader productivity agenda and its social inclusion agenda. The Government looks forward to a stronger, fairer Australia which is positioned to meet the challenges and capitalise on the opportunities that will emerge in the years ahead.

I do not intend today to go over the Government's reform package in detail.

Most of you here today are, I expect, very familiar with the agenda as outlined in *Transforming Australia's Higher Education System*, released at the time of the Budget.

While I will touch on a range of the reforms, the key thing that I want to do today is mark out what is involved in forging a new relationship between Government and higher education institutions as we work in partnership to implement the transformational reforms outlined in the Government's response to the Bradley Review.

So, how do we work together to facilitate alignment of institutional activities with national priorities? How will Government promote excellence, support growth and maintain international competitiveness while recognising the value of institutional autonomy?

In the lead up to signing of compacts in the latter half of 2010, we will be working with the sector to work out how to:

- set appropriate levels of participation and attainment for each university which are realistic and achievable but also stretched and aspirational;
- measure achievement of those aspirations against a robust framework of performance indicators;
- identify other measures of success;

- balance plans for growth with maintenance of and improvement in quality; and
- balance institutional responsiveness to student demand against the national interest and the other needs of the community.

Compacts will be developed jointly with the Department of Innovation, Industry, Science and Research, which will also be working with the sector in 2010 to establish new arrangements for research funding and performance.

Reaching agreement on the way forward on all of these things will be fundamental to the negotiation of compacts which will take effect in 2011.

Compacts will contain a statement of mission but the Commonwealth will not be dictating what a university's mission should be—universities remain autonomous bodies and autonomous bodies chart their own missions.

However, we will expect that the mission statement articulates institutional purpose, intentions and aspirations in a clear, realistic and meaningful manner to the university's internal and external stakeholders.

Compacts will be the mechanism of agreement between the Government and universities on their position regarding key elements of the higher education reforms and the new funding environment.

That new funding environment will give public universities a greater capacity to determine their future - to position themselves for both individual success and to contribute as public institutions to system-wide achievement.

At the heart of the new funding arrangements is the move to demand-driven funding from 2012 whereby the Government will fund a place for every domestic undergraduate student accepted into an eligible, accredited higher education course at a public university.

This major shift in the way that universities are funded acknowledges the primary importance of students and their learning and will provide universities with greater flexibility and capacity to meet the needs of students and the broader community.

As you know, transitional arrangements will apply in 2010 and 2011 where the cap on funding for over enrolments will be increased from 5 per cent to 10 per cent and the funding floor for under enrolments will be maintained.

These arrangements have been made to ensure a smooth transition to the new system that takes account of both managed growth and allows time for institutions to adjust to the demand driven system.

This capacity for growth, coupled with improved indexation arrangements, will mean that universities will have greater capacity to determine their own directions and levels of achievement.

It will also enable universities to build capacity in their academic workforce and continue to engage in the kinds of broader contributions that make them such great civic institutions.

In conjunction with these systemic funding changes, the Government is also committed to ensuring that our students have access to world class university teaching and learning and research infrastructure. Investing in tertiary infrastructure through the Education Investment Fund is a substantial component of the Government's Education Revolution.

EIF will help us build an internationally competitive Australian economy by supporting world leading, strategically focused capital infrastructure investments that will transform Australian tertiary education and research.

As part of this year's Budget, the Government announced funding to 31 projects valued at \$934 million. Round 3 and a special Sustainability Round are now underway.

Short listed applicants will be invited to submit Stage 2 applications shortly and the final allocation to each round depends on the quality of proposals received and on the advice of the independent advisory board. Successful projects will be announced in 2010.

Since 2008-09, the Government has committed almost \$3 billion from the EIF and a further \$1 billion from general revenue to the tertiary and research sectors.

These measures (funding to support large scale capital projects, the commitment to fund growth or the introduction in 2012 of improved indexation arrangements) involve a significant outlay by the Government and the Australian tax payer. As such, the Government is looking to develop an appropriate reporting and accountability framework to ensure that successful outcomes are returned on higher levels of resourcing.

The Government is keen to ensure that increased levels of public support are targeted to achieving the best possible educational outcomes for students and building on our international reputation as a provider of quality higher education.

The Government is determined to 'get it right' for Australian students as well as for individual institutions and the system as a whole.

This is why new funding arrangements will be underpinned by a renewed focus on outcomes measured against robust indicators of performance.

The new Tertiary Education Quality and Standards Agency (TEQSA) will play an important role here in accrediting providers, evaluating the performance of institutions and programs, encouraging quality improvement, simplifying current regulatory arrangements and providing greater national consistency.

But in addition to the establishment of TEQSA, and ensuring that increased participation will be accompanied by improvements in quality, the Government has committed substantial additional funding to encourage improved performance.

With respect to funding to support low SES participation, funding incentives to institutions will ramp up considerably over the next few years: by 2012, equity loading will be broadly in line with the recommendation of the Bradley Review to increase it to 4 per cent of teaching and learning grants.

The Government will also introduce performance funding from 2012, which will encourage universities' efforts in ways that help to meet the national attainment and

participation ambition, but also in ways that will lift teaching quality and improve educational outcomes.

To access this funding, individual universities will be required to negotiate performance targets with the Government as part of the compact process in 2010. Targets will be agreed against indicators of performance in relation to participation, attainment, student engagement and quality.

In 2011, universities that have agreed targets will receive a facilitation payment representing their share of more than \$90 million in funding.

In 2012, universities that have met the relevant targets will receive performance funding.

The Government has convened an expert group to help it develop the measures that will underpin the targets. This group is also considering related options for a new measure of socio economic status.

A draft indicator framework will be available for sector comment before the end of the year.

It is likely that some of the indicators will be familiar to the sector, but we might expect to see the development of new measures to help us to get a better picture of different aspects of teaching and learning performance.

Developing robust measures of performance in which the sector can have confidence will take time.

Once the framework of indicators and measures has been established, guidelines will be developed which will outline and clearly communicate the processes involved in negotiating the targets, measuring performance, and allocating funds.

Performance funding guidelines will be available for sector comment by mid-2010. The Department looks forward to working with the sector to make sure the policies and processes around performance funding are clear and transparent and make sense.

What goes into compacts will also be informed by our conversations with universities via the Interim Agreement process, which is currently in full swing.

As many of you will know, over the period September to December 2009, my Department and the Department of Innovation, Industry, Science and Research are holding bilateral strategic discussions with all universities. The outcome of these strategic discussions will result in Interim Agreements between the Commonwealth and each institution for the 2010 academic year.

The Interim Agreements pave the way for introduction of compacts for 2011 and beyond. Interim Agreements are the start of a new relationship between the Australian government and universities, and I know that both departments and institutions have found the strategic discussions to date to be constructive and informative.

Of course, it is not a new thing to be going out to universities to discuss achievements against a range of activities. The Institutional Assessment Framework previously involved bi-annual discussions between Government and individual institutions based on a

comprehensive portfolio of performance-related information. However, that process was focused on past performance, rather than the future. Because it was separate from funding processes, there was perhaps a sense of it being useful but not central to the relationship between the Commonwealth and universities.

The focus of the Interim Agreements, which come into effect before the commencement of performance targets and funding, is the university mission, to encourage universities to commence adjustment to the new higher education funding environment and to identify how best they can contribute to national needs and priorities. Our use of the word 'mission' extends beyond the definition a planning purist might use. We expect a concise description of where a university sees itself at present, where it wants to position itself and how it sees itself getting there.

Interim agreement discussions are the start of a process where the Commonwealth will look behind the words.

What we learn from discussions will be backed up by a wealth of performance information. This combination will allow us in effect to 'take the pulse' of universities.

We will take a close interest in whether targets and ambitions are realistic. We will do the same to ensure models of provision are sustainable and that obvious opportunities for collaboration are being pursued.

If we do the job correctly, we will understand perhaps better than ever before what universities' aspirations and strategic plans are and the particular difficulties they face to realise those ambitions.

What we see in this first round of bilateral strategic discussions will not be the end of the story. The mission statement in Interim Agreements will be a baseline for compacts. Missions may be refined when teaching and learning performance indicators are developed and institutions look at their capacity to contribute to the Government's ambitions for the higher education sector as a whole and to meet funding-linked performance targets.

We will not be putting our feet up for six months after concluding Interim Agreements. The dialogue will continue where institutions have transformative plans which support the Government's agenda and where we can play a useful role in helping to make things happen.

Put simply, Interim Agreements are the first step in a process to encourage institutions to appraise their place in a reformed higher education sector in realistic terms and to position themselves where they can succeed in achieving good outcomes.

The Australian Government also recognises the important role that universities play in state and territory economic and social development. With this in view, the department is conducting parallel bilateral meetings with state and territory governments to ensure that the negotiation of compacts is cognisant of state and territory workforce planning and strategic development priorities.

Over this coming period of working together to implement the Government's higher education reform agenda, universities will be encouraged to consider their strategic direction and focus their activities and missions to achieve their long term sustainability,

to achieve systemic improvement in participation, attainment and quality, and to achieve sustainable provision across all regions of Australia.

The Government recognises that implementing the reform agenda is likely to involve significant and necessary structural adjustment for some institutions which is why it has committed additional funding of \$400 million to help meet the costs of what can often be a confronting and expensive process.

The Government also recognises that in addition to Bradley's work more detailed work was required specifically around addressing Indigenous participation and around sustainable models of higher education provision for regional Australia.

Work is underway in these areas of unfinished business.

Last week the Deputy Prime Minister and Minister for Innovation announced the third Indigenous Higher Education Advisory Council, to be chaired by Professor Steven Larkin from Charles Darwin University.

The first IHEAC meeting was held over 5 and 6 November in Melbourne. At that meeting, Council members provided initial comment on the scope of a review of Indigenous higher education programs, and IHEAC has now commenced work with the departments of Education and Innovation to develop a process and timelines for the review.

Closing the gap on Indigenous disadvantage is a key priority for the Australian Government. I am sure that the outcomes of the review will have flow-on effects to the broader closing the gap strategy.

The Department has also commenced a review of regional higher education provision to explore models of sustainable higher education provision which is responsive to the specific needs of regional Australia.

To assist the Department in this work, a reference group has been established, chaired by Professor Richard Larkins AO, former Vice-Chancellor of Monash University and Chair of Universities Australia, to provide expertise and guidance for the review.

As part of this process the cost of providing higher education in regional Australia will be examined and a new more logical basis for funding will be developed. A consultation paper will be released inviting submissions shortly.

The Government has also announced it will commission a review of base funding levels for learning and teaching in higher education, which will also look at achieving a more rational and consistent sharing of costs between students and across discipline clusters.

Throughout the implementation phase of the higher education reforms, I and my department look forward to continuing to work with universities in partnership towards achieving the Government's goals and aspirations – toward a more student focused, quality higher education system which is well supported and positioned for success.

Thank you.

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