

Mission-based funding compacts with public universities

October 2008

This Go8 Backgrounder explores the possible uses of compacts in government financing of university activities, examines their potential costs and benefits, and outlines principles for their design and implementation.

The Government has committed to compacts as an element of its future funding arrangements with public universities but has not yet determined their scope, role and shape. This Go8 Backgrounder raises issues and options to assist policy considerations.

Introduction

The May 2008 Budget Paper on the 'education revolution' issued by the Deputy Prime Minister included the following indication of intent:

"To build productive partnerships with universities, the Government has committed to the introduction of a new funding framework from 2010, using mission-based compacts. The compacts are agreements between public universities and the Australian Government detailing public funding commitments and university obligations. They will be developed collaboratively with each university to recognise their individual missions and their multiple roles in modern societies, and will include appropriate accountability mechanisms. Consultations on compact funding arrangements will take place during 2008, followed by negotiation of compacts in 2009."¹

This paper is designed to aid the consultation process by providing a set of references for universities in their forthcoming discussions with Commonwealth officials.

What is meant by compacts?

Mission-based funding compacts with public universities were initially proposed in 2006 by the then Labor Opposition.² Four elements of a compact were outlined:

i. **Education**—undergraduate and postgraduate programs (except research degrees). Funding to include regional loadings and loadings for students with special needs. Within its funding envelope, a

university would be able to shift places from low to high cost fields, and from undergraduate to postgraduate level, or vice versa. The Commonwealth would also act to "safeguard courses of national priority."

- ii. **Research and Research Training**—institutional block funds for research, research training and research infrastructure. Funding of places for research higher degree students would be provided only where the quality of research in a field performed within the university demonstrably meets high standards.
- iii. **Community Service**—the provision of services to meet community needs, access to university facilities by community organisations, support services to schools, and actions to deal with community concerns.
- iv. **Innovative Activities**—knowledge transfer services to enterprises, collaboration with other institutions, and joint international programs.

It was proposed that initially each university would identify its strengths and its potential to add further value to the community, and re-base its activities within its existing funding envelope, on the basis that no university would lose any funds in aggregate. The White Paper raised expectations of additional funding for all elements, including for new and additional activities of universities. Funds allocated through most of the current specific-purpose programs would be rolled-up into the compacts. There was to be "a reduced compliance, bidding and reporting burden placed on universities, and increased flexibility in their use of resources to achieve their renewed missions."

The White Paper indicated that the compact for each university would set an agreed distribution of funds across the elements, and associated performance expectations and reporting requirements. Universities could have compacts with fewer than four elements but none could have only one ('teaching-only') element. It was envisaged that once fully operating, compact funding would be provided on a rolling triennial basis, in order to give universities predictability for their planning.

Why are compacts seen to be needed?

The 2006 White Paper argued that deficiencies in the prevailing policy framework gave rise to the need for a more flexible approach to university operations, within a more coherent policy framework for higher education:

“The current policy approach of dealing with problems on ad hoc basis is not sustainable. The existing policy framework, although in place for only three years, lacks coherence. Stifling controls on student enrolments, and intrusive regulation of internal matters that are the proper and legal responsibilities of university governing bodies, together with ambiguities of policy signals and contradictory incentives, are causing confusion, misdirected efforts and inefficiencies.”³

The Howard Government’s policies were seen to “endanger the quality of Australian higher education and research, eroding rather than building our capacity to innovate.” The policy changes of 2003 in relation to the funding of teaching were seen to be particularly problematic, and compacts were seen as a way of increasing the operating flexibility of universities:

“In 2003, the Howard Government designed a straightjacket for universities. Every university is paid the same amount for each student, irrespective of differences in their missions and purpose, student mix, and cost structures. The Government’s insistence on funding every university at the same rate per student is the basic constraint on diversity in the system. Universities are penalised if they enrol above or below their undergraduate enrolment quotas. They have no flexibility of operation. Without approval from Canberra, universities cannot move places from one campus to another, or from one semester to another, or across the funding clusters; and they cannot change their range of courses. They cannot even change how they use a piece of research equipment purchased through government grants without the written approval of the Education Minister. Additionally, the Government has tied up universities with restrictive compliance conditions and reporting requirements.”⁴

More fundamentally, compacts were seen to be needed as a means of reviewing and renewing the relationship not only between government and universities but also between universities and markets. In both these relationships, the proposed new policy framework gave recognition to the importance of letting universities get on with what they are good at.⁵

Recognising the declining role of government in funding the sector over the past two decades, along with the growing internationalisation of higher education and

university research, the 2006 White Paper rejected a return to predominantly public funding and central government planning of universities as outlined in the Dawkins’ White Paper of 1988. It also rejected a fully market-driven approach. Rather, a new policy framework was seen to be imperative for sustaining the important roles of public universities in competitive markets for higher education services:

“In Labor’s view there is now a need for a policy framework for the future development of Australian higher education whereby public investment complements private investment, and where regulation safeguards quality and promotes innovation. On the one hand, in the more market-driven environment, public policy needs to be concerned about promoting competitiveness, diversifying choices for students, and improving the performance of Australia’s higher education system. On the other hand, contemporary policy must also safeguard the public purposes of higher education and research, which are derived chiefly from our public universities. This custodial purpose of policy needs to function coherently alongside a more market-driven system, and must promote and not stifle diversity.”⁶

A similar view had been expressed, not long before Labor’s statement, in relation to developments in American postsecondary education:

“...the issue is not whether one wants or does not want market forces to play a role in higher education—they are here. Rather, the issue is how will the market be structured to ensure that higher education will meet society’s needs in a world that is changing? Will academic and political leaders work together to carefully design a structure that preserves what is special and essential to the nature of higher education? Can that new structure improve higher education in areas most in need of improvement? Or will the system, absent any meaningful thought, drift into a market that is poorly planned and lacking in foresight—a system that further erodes the public purpose of our colleges and universities?”⁷

More recently, the OECD has emphasised the need for nations to find appropriate balances amid new pressures: a balance between ensuring that public resources are spent efficiently by institutions for societal purposes while enabling the institutions latitude to pursue their self-established objectives; and a balance between enlarging student participation, improving quality and achieving a sustainable basis of financing:

“In steering tertiary education, a nation’s expectations need to be clearly articulated and institutions’ priorities aligned with national socio-economic goals. It is important to find the proper balance between steering and institutional autonomy, and to develop institutional governance to respond to external expectations.”⁸

The OECD suggests that countries also need to balance their use of steering instruments for tertiary education, whether through governmental direction and incentives or through competition and student choice:

“Possible ways of meeting these two goals (meeting national socio-economic needs and promoting institutional autonomy) and optimise outcomes in the areas of quality, efficiency and system responsiveness include, for example, instruments such as performance contracts or performance-related funding and the collection and dissemination of more and better information, for system monitoring, policy development and information to stakeholders... Depending on national circumstances, governments may wish to evaluate how they may strategically use institutional competition and student choice as a means to achieve stronger performance from their tertiary system. This may be achieved by recognising new types of institutions, allowing the portability of institutional subsidies and/or student support, strengthening credit transfer and articulation arrangements to foster mobility between institutions, and improving the availability of information about quality to prospective students.”⁹

These tensions and options have not been publicly discussed in Australia in a considered way since the West Review of 1997. Rather policy has been allowed to drift. The Bradley Review of Australian Higher Education, and to some extent the Cutler Review of the National Innovation System, provide opportunities for consideration of these issues.

The issues are vexed because of competing institutional interests in ‘markets’ for higher education services that trade in ‘positional goods’ that confer social status¹⁰ and ‘experience goods’ that cannot be evaluated well by consumers beforehand.¹¹ Whereas diversity in higher education is necessary for meeting the varying needs and circumstances of an enlarged tertiary education population, policies to promote diversification of institutional aspirations and priorities have been almost universally unsuccessful.¹²

Strict government controls are understood to stifle diversity. Recent efforts to increase competition and

consumer sovereignty in order to promote greater higher education responsiveness to societal needs have also been found to be less than successful. Arguably, ‘academic norms’ and the drive to engage in the academic ‘reputation race’ induce all universities, even the weakest, to imitate the behaviour of prestigious universities. Ironically, in more marketised environments for higher education, increases in institutional autonomy can allow institutions to spend all the resources they can to capture an attractive position in the ‘reputation race’, with a resulting rise in costs for general taxpayers and individual students, and an increasing drift to homogenisation.¹³

Consultations over compacts are possibly a further means of opening up the issues and options for dialogue with individual universities, as part of a process of rebuilding government relations with the sector. Australian experience with compacts in the community sector suggests that clarification of expectations, roles and responsibilities is one of the most unambiguously positive aspects of the compact approach.¹⁴

The compact as a policy construct

The 2006 White Paper represented the initiation of Commonwealth funding for universities as an “implicit social compact”, citing the 1957 report of the Murray Commission that reported to Prime Minister Menzies:

“The days when universities could live in a world apart, if ever they truly existed, are long since over. No independent nation in the modern age can maintain a civilised way of life unless it is well served by its universities; and no university nowadays can succeed in its double aim of high education and the pursuit of knowledge without the goodwill and support of the Government of the country. Governments are therefore bound to give universities what assistance they need to perform their proper functions; but in turn universities are bound to be vigilant to see that they give the services to the community that are required by the necessities of the age.”¹⁵

Over time, appreciation of the mutual benefits and reciprocal obligations of the Murray vision became lost. The 2006 White Paper worked from an understanding that in current circumstances “the compact between the Commonwealth and universities is no longer expressed in terms of public investment for social benefits.” It contended that “the Government no longer funds universities as institutions with broad and diverse missions” but instead through “purchaser-provider arrangements for separate services.” It undertook to renew the social compact:

“In recognition of the special place that public universities have within Australian society, Labor will renew the ‘compact’ with public universities to reflect the contemporary needs of the nation, and the dynamic environment in which the universities now operate.”¹⁶

The threshold questions are: *to what ends, in which ways, and by what means the social compact needs to be renewed; and whether and to what extent the implicit social compact needs to be made explicit.*

An international convergence in various areas of policy for higher education has been noted.¹⁷ The influence of ‘new public management’ on government relations with universities has been extensively documented.¹⁸ It has been argued also that increasing demands for public accountability reflect expectations of an instrumental role for universities in economic and social development.¹⁹ In this context, of most interest is not the growing insistence on accountability but rather the persistence of university autonomy:

“It is the extent to which universities are accorded, or manage to maintain, substantial autonomy in circumstances where that would not be expected, that it becomes relevant to consider the possible role of some kind of social compact for autonomy.”²⁰

In the British context, from which the Australian university derives, it has been suggested that “the absence of a written Constitution and the lack of a clearly-formulated British conceptual model of higher education” made the role of underlying and informal social compacts more important than in Europe.²¹ Under these circumstances “the necessary social compact took the form of elite consensus among university leaders and key state officials.” This consensus was sustained through the post-war period up until the economic crisis of the early 1970s, when fiscal capacity constraints meant that universities could no longer depend on high levels of government spending, and the Thatcher administration no longer shared the assumptions of the elite consensus on the self-referenced purposes of the university. By the mid 1990s, the relationship between the British state and universities was being described in terms of a ‘managed market’:

“The current relations between the state and the universities can best be described as an attempt on the part of the Government to create a managed market: financed mainly by public money, the universities retain control of their own affairs while operating within centrally defined and regulated parameters that are managed by the funding agencies...(and) there has been an evident shift in the power relationship:

increasingly the state imposes its parameters upon the universities and is less willing to tolerate the conventions that were created by the universities.”²²

The managed market approach was adopted in Australia in the mid 1980s, especially through the Dawkins reforms of higher education structures and financing. Through the 1990s, with a de-funding spur from 1996 and a re-regulatory spur from 2003, market and quasi-market mechanisms became increasingly powerful drivers of university activities and revenues.

However, despite the greater reliance on competition there was a shift away from partnership between the state and the academy, and stronger use of regulatory controls. Three areas of increased regulation may be regarded as market-supporting: procedures for protecting student consumers against market failure; quality assurance; and student information collections and monitoring processes. But a fourth area reflects a breakdown of trust—unprecedented government intervention into university autonomies encompassing course openings and closures, employment conditions of staff, university governance structures, and campus life.

A desire to rebuild relations of trust between the Government and universities has been expressed by the Deputy Prime Minister and reinforced by the Minister for Innovation, Industry, Science and Research in their contributions to the debate on the Bill to remove the workplace relations and governance conditions applied by the previous Government to Commonwealth grants for teaching and related purposes.

“We trust universities to manage their own workplace relations and we trust them to develop the approach to governance that best fits their circumstances. We want to see our universities forge their own distinct missions. Universities under this government will be freed from the micromanagement and red tape which characterised the approach of the previous government, and freed from their ideological interventions in workplace relations universities will now be able to direct their attention and resources back to where they are needed most: the development and delivery of world-class higher education teaching and research.”²³

With the removal of the former compliance requirements, such statements may be regarded, at least to some extent, as renewing the implicit social compact. More explicit expression would need to be justified by reference to particular purposes.

The development of compacts in different fields and countries

In their relations with government and the market, universities may be regarded as having features in common with other 'third sector' organisations. For instance, universities like non-government, community service organisations, serve multiple constituencies and have multiple accountabilities:

"Without accountability to donors, funding sources may dry up; without accountability to regulators, charters may be revoked; without accountability to beneficiaries, services may not be used; without accountability to staff and volunteers, operational capacity may be eroded; without accountability to members and political constituents, credibility may be undermined."²⁴

Compacts have emerged in the community service sector as an alternative to the 'principal-agent' model of accountability. The 'principal-agent' model, which focuses on motivating agents to achieve the goals of their principals, such as through purchaser-provider arrangements, typically involves principals specifying performance expectations, reporting arrangements, and rewards and punishments for various outcomes. The 'mutual accountability' model, in contrast, focuses on creating compacts that define shared goals and 'buy-in' to responsibility for achieving them. The compacts define mutually accountable relationships, and they "require developing shared understanding, respect, trust and mutual influence."²⁵

Over the last decade, in the UK, Canada and Australia (the ACT, New South Wales, South Australia and Victoria), compacts have been employed as a method of defining and formalising relationships between governments and voluntary and community-based organisations.²⁶ In large part, compacts have emerged as a corrective to the negative impacts of the purchaser-provider model of government relations with community service agencies.²⁷

Typically, the texts of compacts include:

- A statement of representation that identifies the parties representing the sectors in adopting and implementing the compact;
- A statement of principles addressing the roles and functions of the signatories, including recognition of their autonomy, as well as their rights and obligations;
- An outline of the areas of cooperation, such as service delivery and policy formulations in various areas of interest;
- An outline of instruments of cooperation, including codes of good practice and joint consultative and decision-making bodies; and

- A statement on implementation activities, including proposed monitoring and evaluation processes, provisions for review, and a mechanism for settling disputes.²⁸

In post-Thatcher/Major Britain, compacts emerged out of community sector reaction to government funding cuts and the conversion of grants into contracts, alongside increased demands for accountability.²⁹ As part of its 'third way' approach, the Blair Government launched in 1998 a *Compact on relations between the government and the voluntary and community sector in England*. That compact described itself as "a general framework and an enabling mechanism to enhance the relationship between the government and the sector."³⁰ In 2006 a 'Commissioner for the Compact' was appointed, replaced in 2007 by a 'Commission for the Compact'. In the same year the Compact was tested in the High Court, resulting in a ruling that the Compact is "more than a wish list; it is a commitment of intent."³¹

In Canada in 2001 the Prime Minister signed an *Accord between the Government of Canada and the voluntary Sector*. The Accord is described as "a framework agreement that sets out the values, principles and commitments to action the Government of Canada and the Voluntary Sector have made to each other when they choose to work together."³²

In the United States, compacts typically cover inter-state agreements and protocols across a range of functions. Up until 1969, interstate compacts were used mainly to settle boundary disputes and resolve such issues as environment protection, utility regulation and public transportation. There are now some 200 compacts, covering issues such as prisoner exchange, movement of hazardous goods, emergency management, and insurance product protection.³³

Additional funding streams for universities in England

In England, a submission-based program has been redesigned as a formula-driven funding compact between the Higher Education Funding Council and a university. The Higher Education Innovation Fund was created in 1999 to help higher education institutions work with businesses and the public and third sectors. The aim of the initiative was to support greater collaboration between universities and the outside world in a way that brought economic and social benefits to the country. Under the program, some of the top sectors to benefit are: Creative and Cultural; Energy and Environment; Health; Advanced Engineering; and Financial Services—as well as the Third Sector (charities and community/cultural organisations) and the wider community.

The fund is allocated by formula.³⁴

All universities have been requested to submit an institutional strategy, not just a plan for spending the funds allocated by formula but an outline of the university's overall strategic approach to third stream activity. Acceptance of the strategy by HEFCE is necessary for funding allocations to be confirmed and released. Expert consultants are engaged to carry out analysis of strategies at sector level to inform policy makers, funders and stakeholders, and to support sharing of good practice around the sector.

Institutions are developing a wide variety of relationships with business, reflecting their own diverse missions. This 'knowledge exchange' or 'knowledge transfer' activity includes consultancy, educational courses tailored to employers' needs and community-based projects. In 79 per cent of higher education institutions, working with businesses and the community is fully integrated into their mission; and in the rest, integration has begun.³⁵

In its 2008 report, HEFCE highlights eight institutions for their particularly innovative strategies, including University College London "for commitment to a step-change in performance through integration of its economic and social contributions with its mission." The UCL strategy is shown at **Appendix 1**.

'What pleases me is not just the depth of the interaction but the breadth and diversity of the approaches being employed by different institutions. This is because the fund gives universities flexibility to play to their own special strengths.'³⁶

An earlier requirement that universities provide strategies and action plans for the use of funds allocated for 'widening participation' was relaxed in 2004 by the Higher Education Funding Council for England in the context of greater institutional discretion over tuition fee levels. Institutions taking up the option of charging variable fees are required to submit "access agreements" to the Office for Fair Access. These agreements represent a trade-off between the need of universities for greater financing flexibility and the Government's objectives for improving access and equity. Institutional strategies include the provision of scholarships and bursaries for students, and targeted interventions to increase the participation of students from particular backgrounds. The Access Agreement submission of King's College London for 2008–09 is at **Appendix 2**. Additionally, as part of their widening participation agenda individual higher education institutions in Britain may enter into compacts with schools and colleges. In 2007–08 there were some 51 institutions offering some form of compact, their forms varying according to the market position and missions of institutions.³⁷

Contemporary US State Government compacts in tertiary education

There are diverse forms of negotiated funding compacts with individual universities or university systems across the various States of the United States of America.

A best practice guide to postsecondary education compacts, prepared for the National Governors Association (NGA) in 2007, views "the postsecondary compact as a new vehicle for aligning postsecondary education to state economies":

"Among other efforts to reform postsecondary education, governors can use the compact framework to encourage the postsecondary education system and other relevant stakeholders to agree on the mission and key outputs of a system that emphasizes innovation in exchange for state commitments to budget stability and enhanced autonomy in postsecondary education."³⁸

Within the NGA preferred approach "the compact involves establishing:

- **Goals.** The compact sets long-term goals to address a state's major economic challenges—typically based on the results of a comprehensive assessment. Its aim is to hold institutions accountable for meeting these goals in exchange for a state's commitment to stabilizing the postsecondary education budget, rewarding performance, and providing autonomy through deregulation.
- **State Responsibilities.** The state and postsecondary roles within the compact are then negotiated. The state provides clear direction as to its expectations and priorities for the postsecondary education system. Furthermore, states establish budget stability tied to incentives (or sanctions) based on how well the system meets the goals for the compact. States in turn give more autonomy to postsecondary education—such as reducing regulations and reporting requirements—so these institutions have maximum flexibility to meet the compact's ambitious goals.
- **Mutual Accountability.** Once all the stakeholders agree on the roles and objectives, an accountability system is set up to ensure that there are tools to enforce the contract on both sides. Tools include transparency, rewards, and penalties or sanctions for failing to meet expectations. The compact is underpinned by a robust longitudinal data system so that stakeholders can track the long-term performance of students and assess their gains according to agreed-upon postsecondary education metrics."

Exemplars of good practice within the framework are shown at **Appendix 3**.

Reindl has noted a shift from largely implicit compacts between universities and state legislatures to more explicit and formal agreements. He positions this shift in the context of five converging 'reality' pressures: political realities (increasing expectations and scrutiny from policy makers and the general public); fiscal realities (increasing demand for governmental resources in the face of structural deficits); economic/demographic realities (emergence of knowledge economy alongside an aging and diversifying population); regulatory realities (increasing devolution of responsibilities); and market realities (intensifying drive for prestige).³⁹

Reindl identified three broad types of postsecondary education compacts emerging in the US:

- i. **Revenue stabilisation compacts**—having the narrow focus of balancing the income of institutions as between state subsidies and tuition fee revenues over a period of time (e.g. Michigan);
- ii. **Productivity compacts**—with a broader interest in improving equity and efficiency, with state subsidies linked to gains in student access, progression and completion (e.g. Maryland);
- iii. **Development compacts**—with a wide agenda of increasing institutional autonomy in exchange for fulfillment of state priorities (e.g. North Dakota).

The 2006 outline of compacts in context

The notion of compacts in Labor's 2006 White Paper combines aspects of the productivity and development compacts outlined by Reindl in respect of US State government funding relations with public universities. The similarities can be seen especially in the focus on institutional mission and community contribution, and the proposed funding elements for 'community service' and 'innovative activities'. The main dissimilarity is that Labor's 2006 model did not envisage tuition pricing flexibility and sought to address revenue stabilisation goals through other means, including differential rather than normative funding rates per publicly-funded student place.

Labor's proposed compacts with universities also fell short of the broad approach of governmental protocols with community sector organisations which fundamentally concern 'ways of working together'. However, they did envisage a process of mutual understanding and agreement over funded undertakings, largely confined to the Commonwealth's direct education and research portfolio interests in universities, with some input from the States & Territories and employers on labour market needs.

What objectives are compacts with universities intended to achieve?

From a viewing platform of mutual accountability, compacts can be seen as instruments for the realisation of government and university goals.

Governmental objectives

Labor's 2006 White Paper set out four broad policy objectives relating to higher education and university research:

"In today's market-driven environment, policy must promote competitiveness, diversify choices for students, demand high standards of quality, and safeguard community benefit."⁴⁰

Towards those goals, mission-based compact funding was seen to:

"give Australia's universities the freedom necessary to form and implement strategies for their future role in competitive markets, while safeguarding public good benefits for the Australian community. It will also help in the necessary rebuilding of trust and partnership between universities and the wider community, while promoting diversity and assuring quality."⁴¹

The White Paper envisaged an extensive process of consultation over the development and evaluation of compacts. The approach was seen as renewing relationships between universities and the community as a foundation for sustaining public investment, and for increasing the social and economic impact of universities.

In the context of the (Cutler) Review of the National Innovation System, Senator, the Hon Kim Carr, Minister for Innovation, Industry, Science & Research, indicated on 7 February 2008, that the Government would progress compacts in respect of higher education, research and research training, community outreach and innovation:

"...we will be developing mission-based funding compacts with our public universities. These compacts will be instrumental in bringing about structural reform and cultural change, and in concentrating people's minds on our international competitiveness. They will enable us to manage the transition from the present centralised system to a more flexible environment in which each university can respond to the needs of its students, its community, the country and the global knowledge economy by exploiting its comparative advantages—by leading with its strongest suit. The compacts—covering education, research and research

training, community outreach and innovation— will give universities a greater say in priority-setting and establish a platform for future public and private investment.”⁴²

In this statement the Minister emphasised the role of compacts as ‘transitional’ vehicles, enabling a shift from a centralised (uniform and controlled) to a more flexible (market-responsive and competitive) policy framework, and towards structural (differentiated) and cultural (socially contributive) reform.

With reference to the (Bradley) Review of Australian Higher Education, the Deputy Prime Minister, Julia Gillard, said in March 2008:

“It is my intention that the recommendations of the Review will build on the collaborative new approach to government-university relations embodied in our proposed mission-based compacts. These compacts will provide public universities with greater operating autonomy within a total funding envelope agreed on a three yearly basis. We want to encourage universities to pursue distinctive missions within a public reporting framework of mission-based goals, agreed outcomes and performance standards.”⁴³

In this statement the Deputy Prime Minister focused on funding flexibility and predictability, incentives for institutional diversification, and performance outcomes. The inference is that compacts are to be an ongoing component of the Government’s relations with universities regarding teaching and related functions. The Minister has indicated that universities would be given periodic opportunities to renegotiate their compacts, because each compact would be time-limited.⁴⁴

Neither the Cutler review nor the Bradley review was set up to explore the details of compacts, and the general understanding has been that compacts would be discussed on a parallel but separate track. The Bradley review’s questions to guide consultations and submissions did not raise compacts as a major topic. University submissions to that review have generally not given significant attention to compacts.

University objectives

Nevertheless, the submissions to the Review of the National Innovation System and the Review of Australian Higher Education expose multiple expectations of compacts. Some see compacts primarily as simplifying funding and reporting.

“The allocation of adequate funding levels and the reduction in the degree of micro management to which universities are currently subjected would go a long way towards invigorating them. A degree of simplification would be beneficial. We would therefore propose a number of major changes which also presupposes the introduction of compacts:

1. Provide transparently distinct research and education funding, eliminating cross-subsidies;
2. Provide full economic funding of both through distinct block grants, while maintaining a fully funded competitive research system;
3. Dispense with the various small grants schemes such as L&TPF, CASR etc., and add the funds to block allocations;
4. Provide capital funding on a similar block grant basis;
5. Manage the allocation of these funds through a compacts process, which emphasises outcomes rather than inputs, and enshrines mutual agreement between universities and the Commonwealth on each party’s contribution.”⁴⁵

Some see compacts more broadly as drivers of institutional mission differentiation. For instance, The Australian National University advocated differentiation of the post-secondary sector through a restructure of institutions, and submitted:

“In a restructured system, the missions of different universities must become increasingly, genuinely and pragmatically distinctive. Public funding for universities should match their mission, fully funding agreed activities, and recognising the different costs related to different missions.”⁴⁶

Some see compacts supporting additional activities, such as for widening participation and improving outcomes for Indigenous and equity group students. Others see them variously addressing regional and multi-campus costs.

The view of compacts as a source of funding for additional activities has been reinforced subsequently by the recommendation of the Cutler review that consultations about compacts should cover possible measures of support for ‘hub & spokes’ and other collaborative arrangements:

“(It is recommended that) to build concentrations of excellence, encourage collaboration and achieve better dissemination of knowledge, introduce additional funding support for university and other research organisations

(national and international). Discussions about additional levels of support should occur during the projected round of compact negotiations.⁴⁷

Another view of compacts is that they might provide a compensatory mechanism for the adverse consequences of decisions in other policy areas. On 17 February 2008, the Minister for Youth, The Hon Kate Ellis MP, issued a discussion paper, *The Impact of Voluntary Student Unionism on Services, Amenities and Representation for Australian University Students*. Among the options canvassed in the discussion paper is the recognition of student services as “an important part of ‘going to university’ and provided for via the Government’s funding compacts with universities.”

Concerns about compacts

Six types of concern about compacts can be identified: fiscal romanticism; dysfunctional disaggregation; loss of transparency; disproportionate transaction costs; inappropriate central control; and a tendency to compromise outcomes.

Fiscal romanticism

Parsimonious central agencies of the Government can be expected to be concerned about the budgetary costs of university expectations and bidding pressures regarding compact funding.

A general concern may arise from the lack of specific pre-election expenditure commitments to the various compact elements. Specific concerns may arise in relation to: new funding lines for currently unfunded activities; increased funding rates for currently funded activities; and expanding outlays arising from increasing volume of activity at higher unit costs.

Universities should expect government funders to expect additionality and performance improvement in return for any increase in spending. While university expectations may need to be more realistically framed, there will need to be an undertaking by the Government about the forms and levels of support it envisages and does not envisage.

Disproportionate transaction costs

There are concerns that compacts could become overly complicated, increase bureaucracy, add further processes for preparation of submissions and protracted negotiations, possibly involving multiple stakeholders, and impose greater data collection and reporting burdens. The costs would become even greater if government negotiators became enmeshed in the micro detail of the multiple programs of individual universities. Indeed the process would be unmanageable.

“The University is supportive of the Review’s argument for recognition of the distinctive missions of individual universities provided this is backed by genuine policy reform that enables universities to pursue differentiated priorities. This means less regulation but clear accountability for the use of government funds. We recognize the merits of individual university compacts as one route through which this differentiation may be achieved, but are wary of possible transaction costs and the real danger that the process may encourage unproductive competition especially among similar institutions. In the circumstances, we offer only cautious support in the absence of a detailed proposal.”⁴⁸

Dysfunctional disaggregation

The design and operation of compact elements may lead to artificial separations of naturally integrated capabilities. There are two dimensions to this dilemma: functional and relational. Each makes problematic any ‘whole-of-business’ model for university negotiation of a single compact with the Commonwealth.

On the functional dimension, the difficulty is separating teaching and research from community outreach and knowledge transfer. These are not simply separable and independent activities. The capability of a university to contribute to society is not merely the sum of its various activities but the way it integrates the development of knowledge with the formation of human capital. Separate compact funding elements for community engagement and knowledge transfer may induce undertakings that are not underpinned by a university’s substantive capacity.

On the relational dimension, the Government has purposefully separated the Education and Innovation portfolios. Compacts may well operate for different purposes and in different ways in each portfolio. As a consequence of different portfolio policy purposes and financing arrangements, compacts are unlikely to develop as over-arching agreements between the Commonwealth and individual universities, unless they are brokered by an agency with a whole of Government perspective. In its submission to the Bradley Review, The University of New South Wales suggested that such a body should be located in the Prime Minister’s portfolio.

Compacts then are not necessarily useful for integrating a university’s functions and its relations with external stakeholders, a role that may be inferred for compacts from the 2006 White Paper. Rather it will be up to universities themselves to continue to integrate the various relations they have with government and other bodies, including those they have with various Commonwealth and State government agencies, and with the business and community sectors.

Loss of transparency

The very notion of negotiated funding, as distinct from normative-formulaic funding, raises questions about opacity and proneness to special deals in decision making about the allocation of funding.

Generally formulaic models are preferred over negotiated models of higher education financing.⁴⁹ Formulaic models normally offer transparency by making explicit the criteria for resource allocation, and applying those criteria objectively and consistently. Formulaic approaches normally avoid the problems of unfair treatment of particular institutions, and the exercise of political favouritism and institutional game playing.⁵⁰ They tend to efficiency through routinisation of processes, and they minimise conflict between institutions and funding authorities. They provide a basis for confidence in decision making and predictability for planning.

In contrast, negotiated models can involve opaque decision making. They can be subject to political favouritism and institutional special pleading. They may lead to unfair and inconsistent outcomes. They can be inefficient because they are non-systematic and can involve protracted deliberations. They can give rise to conflict and may not provide predictability and confidence.

However, formulaic funding provides poor incentives for improvement and diversification. Formulaic funding, especially normative funding involving uniformity of treatment of different providers, can fail to recognise differences in scale, costs and quality. For instance, normative funding attached to student numbers can encourage a lowering of educational standards as a means of maintaining student enrolment levels.⁵¹ Additionally, funding transparency can make it difficult for university management to exercise its discretion and allocate funds internally in a way that varies from the basis upon which the funding was received.

As a general principle the preferred default model should be formulaic because it is more transparent and efficient.

Inappropriate Central control

Three strands of concern arise about the potential for compacts to reduce rather than increase university flexibility.

One is that compacts have the potential to authorise external intrusion into the substantive and operational autonomies of universities, such as in mission determination, course approval, student mix, and research orientation. Such intrusion would be a step backwards in relations with government and inimical to re-building trust.

Another concern is the potential for compacts to lock-in prescribed activities and ways of operating. Ironically, whilst compacts may be conceived and promoted as means for increasing university operational flexibility, they could actually stifle responsiveness to changing circumstances.

A third concern is that compacts represent a poor public policy choice for a dynamic, multi-faceted set of institutions operating in an unpredictable environment.

“The assumption underlying the idea of compacts is that government experts have the foresight, creativity, and expertise to design better universities than those that evolve from the normal interplay of supply and demand. Compacts are a form of central planning. They set out to engineer a university system by freezing the current arrangements in place while leaving room for politicians to interfere where they wish.”⁵²

An ideological expression of this concern is that compacts are a form of central planning. To the extent that this critique is directed to the 2006 White Paper outline of compacts it is over-stated. The White paper envisaged compacts being driven not top down from central decision-makers but from the bottom up, by universities seeking to fulfil their missions in response to their circumstances, with input from employers and other bodies to inform their strategies. The role of government as a major funding source was seen to be one of being assured about the fitness for purpose of the proposed activities to the agreed mission, and monitoring the university's performance against its undertakings. Nonetheless, there are risks associated with the proposed compacts model, which relies on the goodwill, good information and good judgment of benign officials, much like the current post 2007 Budget arrangements for the funding of student places.

A more nuanced expression of concern about the risks inherent in a government-driven approach has been made by The University of Melbourne. Focusing on the funding of student places, and noting the ineffectiveness of the current system of central allocation of student places for responding to student preferences and labour market requirements, Melbourne has argued that compact funding is an inferior policy instrument to a student demand-driven model. In a less centrally regulated financing policy context, the University envisages compacts having a circumscribed role, primarily to sustain rural campuses and low-demand disciplines.

“The two main contenders for alternative policy frameworks are the compacts model proposed in Labor’s 2006 policy white paper *Australia’s Universities: Building our Future in the World*, and a student-demand driven system with partially-deregulated student contributions, as suggested by the Group of Eight in their 2007 policy paper *Seizing the Opportunities*.

The compact model put forward in the 2006 white paper is a variation on the existing funding agreement system... Under this system, the Commonwealth remains the main client of universities. Its funding to each university would drive the system. Compacts would determine which institutions could offer Commonwealth-supported places, and roughly how many. Consultations would make universities better informed about student and labour market demand than now. But with the supply of places largely fixed by the initial funding decision, the capacity to respond to this knowledge would be limited. The fixed funding envelope would prevent significant increases in student numbers, particularly in high cost courses—such as engineering and health. With competitors limited in this way, institutions would face little pressure to alter their enrolment profile to match student and labour market demand.

The compact model’s dynamism would, as under the status quo, depend on a proactive funding agency. An independent funding body with a statutory responsibility to steer the system may perform this task more effectively than the departmental structure in place over the last 20 years. This would mean trusting a central planner to make the right judgements. As the medical workforce debacle demonstrates, an over-active central planner, like an under-active department, has major risks.

Compacts are more suited for policy problems that are not characterized by high levels of uncertainty and the need to coordinate in a flexible way the decision-making of large numbers of individuals. Under student-demand driven models, government funding for higher education institutions is driven mainly by student choices. Governments regulate this market through accreditation and quality control, facilitate it through income-contingent loans, shape it through the tuition subsidies they offer, and use compacts to fix remaining market failures.”⁵³

Tendency to compromise outcomes

A further concern with compacts is their potential to prevent a natural evolution towards the best outcomes. This problem is likely to be greater the larger the scope of funding compacts. If a Solomon-like decision has to be made between two universities competing for a major centre the result could be that one wins on the basis of persuasion but is found subsequently to underperform, or that both win but neither is sufficiently strong to survive.

The tendency to compromise could be exacerbated by negotiators who are reluctant to make hard calls, or who are insufficiently informed to back a call.

“As the new Government has recognised, much of what beset the sector under its predecessor was ideologically-driven. It is important that this does not happen again. Therefore the Go8’s proposal to establish an independent body, the Australian Tertiary Education Commission, has merit. Within terms set by the Commonwealth, a commission would provide long term, planning and vision, set priorities, and allocate the funds provided. Its membership must be established on the basis of expertise and vision, preferably according to mechanisms that prevent politically motivated stacking. Its orientation must be strategic, flexible and where appropriate opportunist. This would contrast with the stewardship of DEET/ DEETYA/DEST/DEEWR which has focused on bureaucratic micro-management, rule making and gate keeping. This would be the appropriate body to oversee the implementation and maintenance of mission-based funding compacts. It would also enable a consistent and coordinated approach to be taken to management of the sector at a time when the core business of universities has been split across two Departments.”⁵⁴

Compacts as varying means to diverse ends

From a governmental perspective, compact funding presents as a means to the achievement of broader purposes. Presumably, compacts are but one of several means. It is not clear what relationship compacts might have to other means, such as models for the allocation of funds for teaching and models for the allocation of funds for research and research training.⁵⁵ Moreover, multiple broad purposes have been indicated, and compacts as micro-reform instruments are likely to function differently in relation to particular macro-policy goals and according to the chosen strategies for moving towards those goals.

Compacts may function in various ways as transitional mechanisms and/or they may take various forms, including ongoing roles, within an evolving and eventually changed policy framework.

“Monash University strongly advocates the establishment of a national program that would award portable scholarships to students primarily on the basis of academic merit, along the lines of the Australian Higher Education Scholarships Program advocated by the Group of Eight. Under this model, publicly-funded, student-centred scholarships would be allocated on the basis of student choice, replacing the current formula-based funding system for Commonwealth Supported Places. Such a program would lead to a better alignment of university offerings to student needs, encouraging competitiveness and innovation in program design and delivery across the sector. It would also promote the diversification and differentiation of course offerings by acting as an incentive for each institution to promote and develop its strengths.

Monash University supports the Government’s introduction of ‘Compacts’ as an approach to setting institutional funding levels. It is Monash’s view that operating grants for core University functions such as research and education should continue to be delivered using metrics-based methodologies. The best use of compacts-based funding would be as a mechanism for encouraging diversity in the higher education sector by recognising and funding distinct missions of individual universities.

Compacts could do this by directing funding towards university programs and projects that take into account the special circumstances, goals and capacities of each institution, and the needs of the communities within which they are embedded. University compacts might relate to regional economic development; research; research training and education partnerships with industry, community organisations and the public sector; research commercialisation; internationalization; or assistance for disadvantaged students. Compacts should also take into account and make provision for the increased capital and human resources associated with multi-campus teaching and research. By allowing institutions to build upon their existing and emerging areas of strength, compacts will promote public goods such as enhanced knowledge diffusion and transfer, environmental and social sustainability, and greater economic development and social inclusion.

By focusing on outcomes rather than inputs and outputs, they will also provide the Commonwealth Government with an effective mechanism of control by ensuring that universities are held to account. It is expected that conversely, such arrangements will streamline and simplify the administrative burden for universities. This will require that the policy setting and implementation of the compacts be sufficiently stable—for example by being provided on a rolling triennial basis—so as to allow universities to undertake long-term strategic planning, assured of sufficient income to support their missions, but subject to demonstrating success in achieving the intended outcomes.”⁵⁶

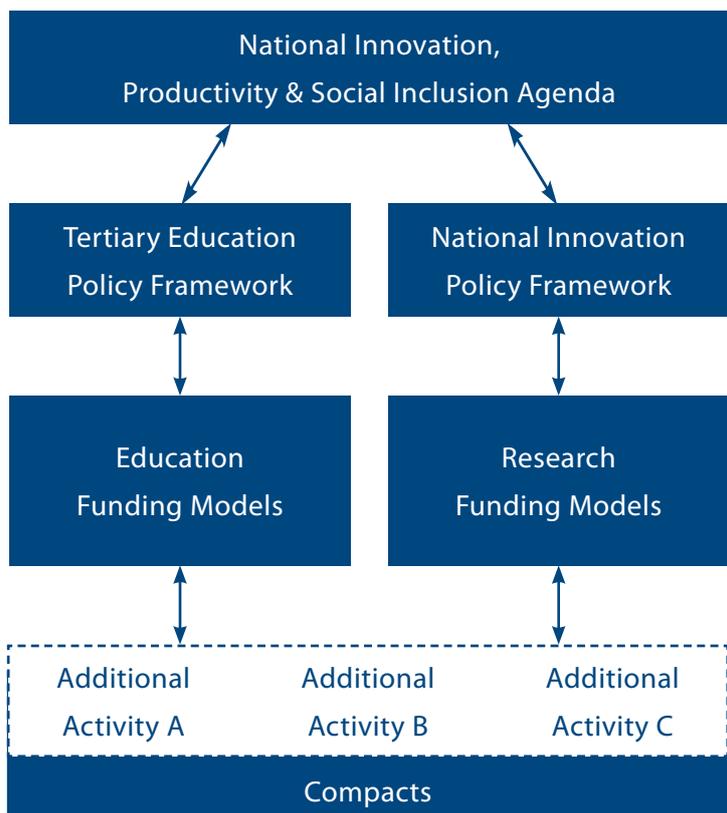
From a university perspective compacts offer ambivalent opportunities. On the one hand, it is clear that universities cannot continue to present themselves to government and the broader community as just another set of problems needing more money. Rather, universities need to focus on demonstrating how they can help in understanding and solving problems the community is concerned about, while being seen to manage their resources efficiently. On the other hand, governmental and community concerns tend to focus on immediate and narrowly-defined issues, such as workforce and economic development, without much appreciation of the less tangible benefits of university education and research. The challenge is to build support for the wider role of universities.

Compacts in macro policy contexts

As depicted in *Figure A*,⁵⁷ the transitional and ongoing roles for compacts may well be different with regard to the emerging agenda of the Government’s Education and Innovation portfolios. Government compacts with universities may situate within a broad agenda for tertiary education expansion and improved cost-effectiveness, in the context of the Government’s response inter alia to the Bradley review. For instance, compacts may eventually function in the context of a less centrally regulated tertiary education system as a means of safeguarding scholarship in fields of low student demand, and they may function transitionally as a way of clarifying and legitimating the different missions and profiles of individual institutions ahead of more vigorous competition for students

Concurrently but separately, compacts may situate within a broad national innovation agenda emerging from the Government’s response inter alia to the Cutler review. For instance, in the context of greater selectivity and concentration in research and research training, compacts may function, both transitionally and on an ongoing basis, to promote inter-university collaboration and increase knowledge transfer.

Figure A: The possible place of compacts in different policy contexts



“Under our proposals there would be two types of funding for universities:

- Funding driven by objective indicators such as student load and research performance, and
- Funding driven by negotiation with an agency or agencies.

Incentive funding for philanthropy, social inclusion and community engagement and research commercialisation could be included in this negotiated stream.

These two streams could be incorporated into the compact, which would set out the institution’s mission, its key goals (such as areas of research emphasis and load by area of emphasis), objective indicators and programs. Key measures of success for which universities could be held accountable could be negotiated, but might include quality of student cohorts, completion rates of equity groups, research performance and Course Experience Questionnaire results.

To ensure effective coordination of the different funding elements, compacts need to be reviewed by a new independent advisory body. This body would test for consistency and fit with national priorities. The body could also audit performance on expired compacts when a new one is brought forward.”⁵⁸

Compacts in the context of tertiary education reform

The changes to the Commonwealth Grants Scheme in the 2007 Budget of the previous Government addressed a number of the criticisms raised in Labor’s 2006 White Paper about the ‘funding straightjacket’ post 2003. As it turns out, the post-2007 Budget model of envelope funding for student enrolments is close in several respects to the “Education element” of the 2006 White Paper. However, the White Paper envisaged further flexibilities through (a) differences in funding rates per student to reflect differences in delivery costs, student mix and outcomes standards; (b) increased scope for enrolment shifts by level and field of education (informed by labour market analysis); and (c) folding-in many specific-purpose funding schemes. That is, with regard to university education, compacts as envisaged in the 2006 proposal are a looser form of the ‘managed market’ model than a tight purchaser-provider approach. The changes in 2007 slackened the purchaser-provider arrangements. The question now is whether a more flexible supply-side approach as offered by mission-based funding compacts is sufficient to meet emerging needs and circumstances or whether it is necessary to shift to a demand-side approach. The role for compacts will be very different depending on the framework policy choice.

Additionally the White Paper proposed a new funding stream through a “community service element” specifically to support universities’ outreach activities with their external communities. Some of the indicated activities include functions that universities already perform in terms of broader community engagement, such as contributions to public policy development, analysis and evaluation, and access of university infrastructure for community use (e.g. cultural and sporting facilities & events). Other indicated activities are also undertaken to varying degrees as part of universities’ educational provision, including: initiatives to improve opportunities for Indigenous students; initiatives to improve opportunities for students from low socio-economic backgrounds; programs supporting educational performance in schools; internships and service-learning placements in community institutions; and collaboration with TAFE institutions and schools.

Presumably, the purpose of the “community service element” of funding was to encourage greater activity in these areas, and reduce internal cross subsidies that may have adverse impacts on educational quality. The need for the “community service element” may be seen to arise in part from inadequacies in the funding base for university education. Arguably the need for the new funding element, or at least priorities for its application, will vary according to the development of the funding environment for universities, particularly the funding of teaching.

The future funding environment for university teaching

A threshold policy question is: *who is the principal client of a university-provided education?*

Under the present financing policy framework the Government continues to set itself in the position of being the principal client. When almost all the costs of higher education were met by the Commonwealth (from 1973 to 1986) the Government could claim that 'who pays the piper calls the tune'. However, although it is responsible for funding the bulk of the business of domestic undergraduate education, the Federal Government is no longer the sole purchaser in the contemporary environment of growing adult and international demand not subsidised by the Australian Government. Yet it stands, *in loco scholaris*, purporting to represent student interests in its purchasing, even though it does not bear the consequences of its decisions.

Thus universities have to cater to the needs of diverse students who purchase services directly from them while having to comply with the over-riding requirements of a governmental proxy purchaser. The main result is that universities are artificially constrained in terms of the revenues they can obtain through governmental limits on the volume of students they can admit and the prices they can charge. These constraints expose Australia's universities to serious risks in the competitive markets in which they now operate nationally and internationally. They also limit the capacity of universities to improve equity of access to and quality of higher education.

Hence, it is appropriate to suggest that consideration be given to a more sustainable financing policy framework, as the Go8 has advocated in its 2007 policy discussion paper, *Seizing the Opportunities*,⁵⁹ and in its 2008 submission to the Bradley review.⁶⁰

"A less prescriptive funding system is required; one that encourages variation and innovation across the university sector. UQ welcomes the flexibility signaled by the early statements of the Federal Government any by the proposed system of 'compacts' which presumably will lead to greater differentiation across the higher education sector.

The University of Queensland strongly supports the concept of 'student-driven' or 'demand-driven' funding—an option identified in the Discussion Paper and preferred by the Go8—with Commonwealth support provided through portable scholarships that allow undergraduate students to choose the institution where they will study, as well as their field of study. Universities should have the flexibility to set their own charges for individual courses, subject to suitable regulation, with students having access to loans to meet the difference between the value of their scholarship and the institutional charge. This approach allows institutions to choose the elements on which they will focus as the drivers of student choice."⁶¹

In a student driven context there is no strong case for compacts to fund aspects of student mix, given the capacity of government scholarships to weight for cost differences. To the extent that universities are given pricing flexibility, Australian policy could move towards the US model of counter-balancing government and private financing with a view to achieving the goals of revenue sufficiency, access and equity, and outcome cost-effectiveness. Compacts may require for instance that a university provides an agreed level of support for needy students through scholarships and bursaries.

A fundamental role for compacts in a more deregulated, student-demand-driven system is one of mitigating the adverse consequences of competition. Such adverse impacts may include:

- Field-specific loss of course offerings in educational fields of low student demand;
- Region-specific loss of sustainable capacity for scholarship in areas of regional importance;
- Institution-specific vulnerability to loss of income to sustain campus viability.

Thus compacts as mitigating strategies might provide:

- a base provision to 'at risk' institutions to support socially valued university functions that may otherwise cease in a more competitive environment; and/or
- a 'community service obligation' or 'provider of last resort' retainer to sustain scholarship which would otherwise be lost through want of student demand.

Compacts might also play a supplementary role in providing performance-based funding for additional university activities designed to improve the readiness of prospective students for tertiary education participation and success.

Additionally there is a possible complementary role for compacts in mediating the tendency of market forces in higher education to lower diversity and raise costs.

Compacts might provide incentives for different universities to focus on:

- innovative modes of education catering to diverse types of learners
- the application of knowledge
- professional and para-professional occupations that are not well served by scholarship in traditional disciplines
- contributions to community and economic development of local and regional importance.

Compacts might also provide disincentives to mission-creep through expansion of research capacity at the expense of productivity. The process of clarifying mission boundaries—the aspirations and activities ‘within the scope’ of an institution’s defined purpose, and those that are ‘out of scope’—could form barriers to mission distraction and cost inflation, especially when institutions are not so pressed to find income from other sources to compensate for inadequacies in the funding base for teaching. However, the effectiveness of compacts in this respect would depend heavily on the incentives and disincentives to research expansion established in the context of policy and financing for the national innovation system. A tighter approach to evaluating the quality of research and research training would be more effective to this end than a slacker approach.

Compacts in the context of the National Innovation System

The 2008 report of the Cutler review of the National Innovation System⁶² made the following observations about the role of universities:

- A sustainable national innovation strategy depends upon the existence of high quality universities and other publicly funded research organisations. (pp. 63 & 80).
- To contribute fully to the national innovation system, it is critical that Australia’s researchers are active participants in global research networks. (p. 63, pp. 72–74, p. 143).
- Achieving internationally competitive levels of research performance requires a focusing of effort around research quality. Quality must be the key driver of public funding for research. (pp. 69–70).
- Higher degree by research training can only occur in high quality research environments. Funding support for research training activities must be allocated on the basis of demonstrated research excellence. (pp. 76–77).
- Australia must shift to a model whereby public funding meets the full economic costs of sponsored research. (p. 69).
- There is much potential for improved efficiency and quality to be achieved through greater levels of collaboration between institutions and refocusing of institutional missions. (pp. 65 & 73).

Labor’s 2006 White Paper proposed a continuation of the dual funding model of peer-reviewed competitive grants

and performance-based block grants for research. It also proposed to tighten the access of universities to funding for research and research training on the basis of verified research quality. Institutions would not lose current funding but could not apply it in fields that were rated below an acceptable level of quality. Public funding for research training was to be particularly selective:

“A university will be expected to cease admitting research degree candidates to areas where adequate quality of research performance cannot be validated.”⁶³

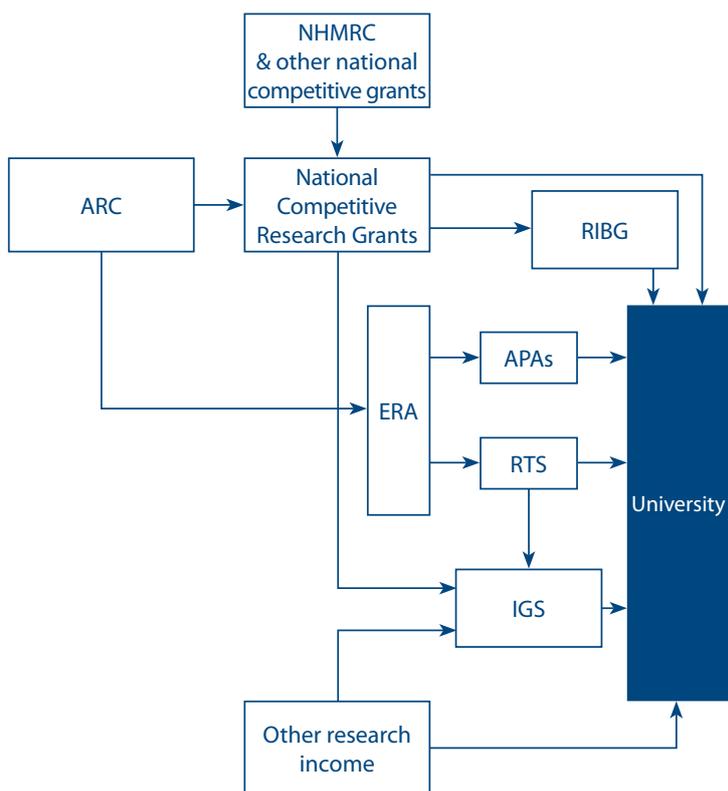
The Cutler review panel has proposed that the *Excellence for Research in Australia* (ERA) process being conducted progressively by the ARC, when it can be demonstrated to work effectively, would be an appropriate research quality validation method, and may be used to inform the allocation of Research Training Scheme (RTS) places and Australian Postgraduate Awards (APAs). If that model is adopted then there would be no apparent need to include the funding of research training in compacts with universities, at least eventually. There may be a cause to manage the transition via compacts until the ERA is fully up and running across all disciplines.

The 2006 White Paper was silent about the future of the Research Infrastructure Block Grants (RIBG) Scheme. The Cutler review panel has recommended (R6.1) that competitive grants and block funds for research (the Institutional Grants Scheme (IGS) and RIBG) should be adjusted to reflect the full funding of research.⁶⁴

The IGS funds are allocated annually to support deep infrastructure for the activities of research (research income & output) and research training (HDR student load). If the Cutler recommendation is taken up, consideration will need to be given to the proportion of the IGS funding amount that is adjusted for fully funding research. The simplest solution is to use the current IGS weight of 60% for research income from all sources. The remaining amount could be incorporated into the funding rate for RTS but payable annually for HDR load, as a capital roll-in, or allocated through compact negotiations according to changes in HDR load over the phasing-in period to full ERA operation.

A possible outcome of the proposed arrangements post-Cutler is illustrated at Figure B. The Figure does include allocations from the Education Investment Fund (EIF), which is still subject to consultation. Conceivably, EIF funds could be a source of full funding for research and/or an enhanced research infrastructure program.

Figure B: New funding framework for research and research training



The Cutler panel’s Recommendation 6.5 calls for the establishment of a new funding line “to build concentrations of excellence, encourage collaboration and achieve better dissemination of knowledge.” This recommendation may be interpreted as covering the possibilities for the “Innovative Activities element” of Labor’s 2006 outline of compacts. This element was envisaged as a submission-based program having three strands:

- i. *National ‘hub & spokes’ arrangements:* establishing national ‘hubs’ of research capability in universities with strong research infrastructure and critical mass of expertise, with ‘spokes’ out to academic staff in other universities to enable their access to the capability.
- ii. *Knowledge transfer:* new or expanded contributions to the national innovation system, through access to university-based knowledge, scientific instrumentation and know-how, for enterprises, government agencies and community organisations, including arrangements for university staff to undertake industry-related work.
- iii. *International collaboration:* new or expanded educational interactions with international universities, including alignment of academic calendars with international universities, for the promotion of international student and staff exchanges, and the development of joint educational and/or research programs.

With regard to ‘hub & spokes’ it was proposed that the employing university would be funded on a block basis for collaborative research placements, and would use those funds to buy access to host institutions of their choice. A variant to the model would be to pay quality hosts a retainer or premium in consideration of an access agreement.

With regard to ‘knowledge transfer’ and ‘international collaboration’ the UK’s the attractive option is the UK’s third stream program of funding universities by formula for a strategy for knowledge transfer linked to their missions and capabilities. Continuation of funding in the Australian context could have regard to performance, along similar lines to the new arrangements through COAG for Commonwealth funding of additional State & Territory services.

Compacts as transitional devices

For the Government compacts offer potential benefits in opening a bridge to a more sustainable longer-term policy and managing the process of policy reform, by providing:

- a vehicle for consultation with universities and other stakeholders;
- incentives for differentiated mission focus;
- a means of smoothing adjustment from old to new to policy applications; and
- a way by which government can seed and grow strategic initiatives without having to develop all the detail in advance.

For the universities, participation in a negotiated model at this stage offers the benefits of:

- enabling universities to position themselves strategically for a more competitive future;
- gaining support for universities to move into new fields or expand their activities in areas of increasing strength;
- giving universities room to move out of historical lock-ins that will not add value to their future services.

"If Australian universities are to be competitive then there must be a substantial deregulation of the sector coupled with greater public investment in the sector's capacity. This would achieve the dual purpose of institutional quality, by international benchmark standards, and institutional diversity. It would enable institutions to develop differential strategies based on comparative advantage to respond to their particular missions and markets.

A deregulated system was proposed by the Go8 in its *'Seizing the Opportunities'* paper. This system essentially proposes the replacement of central regulation and control of places and prices with a system of loans and scholarships for students to use at an accredited institution of their choosing. But it also retains the ability of government to play a key role where the market alone is inadequate or inappropriate, through, for example, student loan and scholarship policies on the demand side, and on the supply side, through compact funding to support public good aspects of institutional activities to which the market cannot/should not be the sole answer, for example in scholarly areas of low demand and/or low direct economic benefit.

"... Supplementary equity funding for special support programs, such as disability funding, related to identifiable additional costs, should be part of a separate funding stream, additional to core per student funding. The UK's *'Widening Participation'* program is an interesting approach worth considering, in part because it is a block grant scheme which limits *'special pleading'* as a distribution mechanism."⁶⁵

Design principles for compacts

Labor's 2006 White paper envisaged compacts reflecting the following main principles:

- Universities need greater operating autonomy in order to function effectively and competitively in local and international markets.
- Public funding should assist each university to pursue its distinctive mission and to excel in what it does best.
- Universities have a reciprocal responsibility to explain their purposes, and to report publicly on how well they have performed against their own goals and the performance standards expected of them.

These are important and necessary but not sufficient principles. Additional principles may be found from experiences elsewhere and with regard to expectations

of relationships of mutual trust. Further, the principles should be fit to the purpose that compacts will play in the emerging policy contexts for tertiary education and national innovation.

With regard to US experience with postsecondary education compacts, Reindl noted the mixed record of success, reflecting changes in fiscal circumstances and the calibre of leadership at given points. He suggested that successful compacts are:

- rooted in clear, understandable and measurable goals;
- enforceable and simple to administer;
- sustainable against changes in leadership and fiscal conditions; and
- coherent with other major policy agenda and levers.⁶⁶

Additionally, it has been found to be important that the terms of accountability are negotiated at the same time as compact elements as agreed.⁶⁷

Australian experiences with compacts in the community sector suggest that clarification of expectations roles and responsibilities is a particularly positive aspect of the compact process.⁶⁸ An evaluation of experiences suggests that the major reasons for lack of success with compact processes include:

- A 'top down' attempt at development which lacks NGO sector-wide representation;
- The grafting of compact process onto political/social frameworks that are not ready to support it;
- A lack of government and sector champions to drive the process;
- Changes in personnel or the government itself;
- Lack of resources to fully implement the compact commitments; and
- Failure to address the primary issues of funding and the independence of the sector.⁶⁹

These findings suggest that compacts should be developed consultatively, that work should be put in ahead of implementation to prepare the ground for their application, that purposes should be clear, that performance measures should be linked to goals from the outset, and that commitments should be adequately resourced.

The Go8 has identified six main principles for the operation of compacts:

The Autonomy principle: Universities are responsible for determining their missions, and they need greater operating autonomy in order to function effectively and competitively in local and international markets.

The Fitness for Purpose principle: Public funding should be sufficient to the task, and it should be provided in ways that enable each university to pursue its distinctive mission and to excel in what it does best.

The Accountability for Outcomes principle: Universities have a reciprocal responsibility to explain their purposes, and to report publicly on how well they have performed against their own goals and the performance standards expected of them. The terms of accountability should be clear and measurable, and agreed at the same time as the compact is negotiated.

The Simplicity principle: Compacts, including associated performance reporting, will be agreed in relation to block grants on a broad not detailed basis, will involve less regulation, and will lead to a reduction in the current administrative and reporting burdens of universities.

The Transparency principle: Decision making in respect of compact agreements and funding will be open to external scrutiny, and based on a fair application of consistent rules.

The Predictability principle: Compacts will provide the capacity for universities to plan ahead; they will be resourced according to published criteria, and changes to funding will be based on known parameters.

Next steps

As aspects of the possible future policy frameworks for tertiary education and national innovation become clearer it is obvious that the Macklin model of compacts outlined in Labor's 2006 White Paper will need to be modified.

Already it can be seen that there is no prospect of an all-encompassing compact involving a once-off re-basing of a university's activities (a zero-based budgeting approach).

The Government's different portfolio priorities, the prospects of macro-policy changes to the structure and financing of tertiary education, and a sharper focus on the quality of research and research training in supporting national innovation, suggest that compacts will play purposeful roles as mitigating strategies, supplements, and complementary incentives for differentiation.

If the evolving policy framework for tertiary education results in proper funding of the costs of teaching, and the policy framework for national innovation results in proper funding of the costs of research, then universities will have room to negotiate compacts that add value services to meet the community's wider needs.

Compacts might function as a bridge to a more flexible and outcomes-oriented funding policy approach, enabling universities to adjust to new incentives and expectations. An ongoing role for compacts can be expected to be tailored to the different circumstances of each university.

Clarity of the macro-policy frameworks and their objectives, and the roles of compacts within those frameworks, is a precondition for compact negotiation. The effectiveness of negotiations is likely to be enhanced through professional processes that bring experienced-based perspectives to the relevant matters of judgement.

To realise the potential of compacts to rebuild relations of trust and mutual accountability between universities and government the dialogue needs to be two ways. The Government is likely to benefit in its policy deliberations from early consultations of Departmental officers with universities about the potential benefits and risks of compacts as seen from university perspectives.

Endnotes

1. The Hon Julia Gillard MP, Deputy Prime Minister, (2008), Budget Paper, *The Education Revolution*, pp. 29–30
2. Macklin, J. (2006), *Australia's Universities: Building our Future in the World—a White Paper on Higher Education, Research and Innovation*, Australian Labor Party, Canberra
3. Macklin (2006), p. 51
4. Macklin (2006), p. 6
5. “The university’ is not driven by ‘globalization’ to move decisively in a certain direction, nor by ‘economic forces. Nor by ‘demographic trends’, not even by ‘state policy’. Instead, utilizing an inside-out perspective, we come to see that the active university is mainly driven by the responses it makes, responses that are the sum of reactions of its many parts... University responses are rooted in traditional tendencies, ongoing self-interests, and especially in the will of the faculty based in a range of professions and of administrators devoted to the welfare of particular institutions... University achievement is neither state-led nor market-dictated. It finds its propulsion in the agency of those inside the university whose actions decide what actually gets done.” Clark, B. R. (2002) “University Transformation”, in S Brint (Ed.) *The Future of the City of the Intellect*, Stanford University Press, Stanford, California
6. Macklin (2006), p. 53
7. Newman, F. & Couturier, L.K. (2004) “Rhetoric, Reality and Risks”, *American Academic*
8. OECD, (2008), *Tertiary Education for the Knowledge Society*, Education Directorate, Paris
9. *ibid.*, p. 19
10. Marginson, S. (1997), *Markets in education*, Allen & Unwin, Sydney
11. Dill, D. D. (2003). Allowing the Market to Rule: the case of the United States, *Higher Education Quarterly*, 57, No. 2. pp. 136–157
12. Van Vught, F. (2007), Diversity and Differentiation in Higher Education Systems: Challenges for the Knowledge Society. Presentation to CHET Conference. Cape Town. [http://www.universityworldnews.com/filemgmt_data/files/Frans-van-vucht.pdf]
13. *ibid.*
14. Rawsthorne, M. & Christian, F. (2005), *Government/Community Sector Compacts: Real Engagement?*, Western Sydney Community Forum, Granville, NSW
15. Murray Committee (1957), *Committee on Australian Universities Report*, Canberra, AGPS, p. 91. This view may be seen to reflect the evolution of broader social contract theory, particularly that strand emanating from the democratic orientation of the Enlightenment school as espoused by Rousseau: “All the obligations which a citizen owes to the State he must fulfill as soon as the sovereign asks for them, but the sovereign in turn cannot impose any obligation on subjects which is not of use to the community. In fact, the sovereign cannot even wish to do so, for nothing can take place without a cause according to the laws of reason, any more than according to the laws of nature.” Jean-Jacques Rousseau (1762), *Contrat social ou Principes du droit politique* (Paris: Garnier Frères 1800). Translated by Henry A. Myers, Internet Modern History Sourcebook
16. Macklin (2006), p. 69
17. King, R. (2004), *The University in the Global Age*, Palgrave Macmillan, Basingstoke. See also Johnstone, D.B. (1998), “The Financing and Management of Higher Education: A Status Report on Worldwide Reforms”, paper prepared for the World Bank and UNESCO World Conference on Higher Education, Paris
18. See for a good overview of Australian developments: Meek, V.L. (2001), ‘Australian public sector reform’, in *Public Sector Reform: An International Perspective*, Ed. B. Nolan, Palgrave, London, pp. 34–48
19. Altbach, P. G. (1991), “The Academic Profession”, In *International Higher Education: An Encyclopedia*, Vol. 1: 23–45. For a broader view of the role of universities, see Boulton, G. & Lucas, C. (2008) *What are universities for?*, League of European Research Universities, Amsterdam
20. Du Toit, A. (2007), *Autonomy as a Social Compact: Research Report*, Council on Higher Education, Pretoria, p. 39
21. Pritchard, R. (1998), “Academic Freedom and Autonomy in the United Kingdom and Germany.” *Minerva*, 36: 101–124. She contrasts the British model with the constitutional incorporation of universities within the nation state alongside an articulated Humboldtian vision of the role and nature of the research university (a university based on three principles: unity of research and teaching; freedom of teaching; and academic self-governance). The latter principle “was meant to protect academic work from the distortions of government control.” See Boulton, G. & Lucas, C. (2008), *What are universities for?*, Amsterdam
22. Tapper, E.R. & Salter, B. G. (1995), “The Changing Idea of University Autonomy.” *Studies in Higher Education*, 20 (1): 59–71
23. The Hon Julia Gillard MP, Second Reading Speech, Higher Education Support Amendment (Removal of the Higher Education Workplace Relations Requirements and National Governance Protocols Requirements and Other Matters) House of Representatives Hansard, 14 May 2008
24. Brown, L. D. (2007), “Civil Society, Legitimacy and Accountability: Issues and Challenges”, Working Paper No. 32, The Hauser Center for Nonprofit Organisations, John F. Kennedy School of Government, Harvard University
25. Brown, L. D. (2007), p. 10
26. Casey, J., Dalton, B., Onyx, J. & Melville, R. (2008a), “Advocacy in the Age of Compacts: Regulating Government-Community Sector Relations—International Experiences”, Working Paper Series No. 76, Centre for Australian Community Organisations and Management, University of Technology Sydney. Note: Compacts became the preferred term in the UK where government-community sector protocols were first adopted and has become the most commonly used descriptor. Other terms are also used, including: *accord; agreement; charter; concordat; cooperation program; memorandum; partnership; and strategy.*
27. Casey, J., Dalton, B., Onyx, J. & Melville, R. (2008b), “Advocacy in the Age of Compacts: Regulating Government-Community Sector Relations in Australia”, Working Paper Series No. 78, Centre for Australian Community Organisations and Management, University of Technology Sydney
28. Bullain, N. & Toftisova, R. (2005). A Comparative Analysis of European Policies and Practices of NGO-Government Cooperation. *The International Journal of Not-for-Profit Law*, 7 (4). http://www.icnl.org/knowledge/ijnl/vol7iss4/art_1.htm
29. Casey, J., Dalton, B., Onyx, J. & Melville, R. (2008a)
30. Home Office (1998), *Compact on Relations between Government and the Voluntary and Community Sector in England*, HMSO, London
31. Casey et al (2008), p. 11
32. Voluntary Sector Initiative (2001), *An Accord Between the Government of Canada and the Voluntary Sector*, Volunteer Sector Task Force, Ottawa [<http://dsp-psd.pwgsc.gc.ca/Collection/CP32-75-2001E.pdf>]
33. Masters, R. (2006), “Interstate compacts: a useful tool for power sharing among the states (legal notes)”, *Policy & Practice*, March

34. HEIF 4 Formula:
First component (40%)
- Capacity building and potential
 - Academic staff numbers (FTE)
- Second component (60%)**
- Performance
 - Value/impact of B&C services
 - (SME income double weighted)
 - Based on basket of income metrics
35. HEFCE (2008), Higher Education Investment Fund Round 4 Outcomes, 2008/34
36. John Denham, Secretary of State for Innovation, Universities and Skills, 2 October, 2008, Higher Education Funding Council for England
37. Higher Education Funding Council for England (2008), *Compact schemes in higher education institutions*, September 2008/32
38. National Governors Association (2007), *Innovation America: A Compact for Postsecondary Education*, Washington
39. Reindl, T. (2008), "Let's Make a Deal: Compacts and Public Agendas in American Higher Education" [http://www.go8.edu.au/storage/events/2008/costs_compacts_presentations/14Jul/Travis_Reindl_Lumina_Foundation.ppt]
40. Macklin (2006), p. 8
41. Macklin (2006), p. 69
42. Senator The Hon. Kim Carr, Address to Innovative Research Universities Australia, 7 February 2008
43. The Hon Julia Gillard MP, Minister for Education, Minister for Employment and Workplace Relations, Minister for Social Inclusion, Deputy Prime Minister, "A Higher Education Revolution: Creating a Productive, Prosperous, Modern Australia", Australian Financial Review Higher Education Conference, 13 March 2008
44. Comment attributed to the Deputy Prime Minister by Steven Schwartz (2008) *The Trouble with University Compacts*, Policy, Winter, The Centre for Independent Studies
45. The University of Adelaide (2008), Submission to the Review of Australian Higher Education
46. The Australian National University (2008), Submission to the Review of Australian Higher Education
47. Cutler & Company Pty Ltd (2008), *venturousaustralia—building strength in innovation*, Report of the commissioned Review of the National Innovation System, p. 73
48. The University of Sydney (2008), Submission to the Review of Australian Higher Education
49. Sheehan, J. (1973), *The Economics of Education*, George, Allen & Unwin. London. See also Fogel, D. S. & Winkler, J. (1996), "Financing Higher Education: Czech Republic 1990–1995", *Higher Education Management*, Vol. 8, No. 1, OECD, Paris
50. Johnstone, D.B. (1998), "The Financing and Management of Higher Education: A Status Report on Worldwide Reforms", paper prepared for the World Bank and UNESCO World Conference on Higher Education, Paris
51. Bogue, E. G. (1998), "Quality Assurance in Higher Education: The evolution of systems design ideals", *New Directions for Institutional Research*, (99), 7
52. Steven Schwartz (2008), *The Trouble with University Compacts*, Policy, Winter, The Centre for Independent Studies
53. The University of Melbourne (2008), Submission to the Review of Australian Higher Education
54. The University of Adelaide (2008), Submission to the Review of Australian Higher Education
55. The University of Technology Sydney, (2008), Submission to the Review of Australian Higher Education. With regard to Education funding, the UTS submission distinguishes between three approaches to financing: "a capped fee, capped public investment model" (the current approach); "a student fee deregulated model"; and "a fully-funded government investment model"; and three bases for student load allocation: "centrally-planned load" (the current model); "student entitlement"; and "flexible student demand". The UTS submission suggests that the extremes of policy choice are represented by (a) the fully-funded student-entitlement combination which yields the greatest human capital acquisition but is the most expensive for general taxpayers, and (b) fee-deregulation under conditions of centrally-planned student load, which is the least costly for government but yields the lowest human capital acquisition. The submission notes that each model requires a set of mitigating strategies to achieve desired policy outcomes or correct for adverse consequences, and suggests that compacts could be employed for mitigating strategies. The UTS submission does not discuss models of funding research and research training.
56. Monash University (2008), Submission to the Review of Australian Higher Education
57. Adapted from a diagram in the University of Technology Sydney's submission to the Review of Australian Higher Education
58. The University of New South Wales (2008) Submission to the Review of Australian Higher Education.
59. The Group of Eight (2007), *Seizing the Opportunities—Designing new policy architecture for higher education and university research*, Canberra
60. The Group of Eight (2008), *INVESTING IN ALL OUR PEOPLE*, Submission to the Review of Australian Higher Education.
61. The University of Queensland (2008), Submission to the Review of Australian Higher Education
62. Cutler & Company Pty Ltd (2008), *venturousaustralia—building strength in innovation*, Report of the commissioned Review of the National Innovation System
63. Macklin (2006), p. 76
64. Recommendation 6.1: "Adopt the principle of fully funding the costs of university research activities and implement through adjustments in funding to block and competitive grant schemes, without compromising grant success rates. Lessons from overseas and current government investigations should provide evidence for the full costs of university research and allow rapid transition to a full-cost funding model."
65. The University of Western Australia (2008), Submission to the Review of Australian Higher Education
66. Reindl, T. (2008), "Let's Make a Deal: Compacts and Public Agendas in American Higher Education." [http://www.go8.edu.au/storage/events/2008/costs_compacts_presentations/14July/Travis_Reindl_Lumina_Foundation.ppt]
67. Jones, D. (2008). "Steering Mechanisms to Balance Public and Institutional Goals: Governance, Regulation, Markets, and the Role of NGOs", International Symposium on University Costs & Compacts Conference, Canberra. 14 July [http://www.go8.edu.au/storage/events/2008/costs_compacts_presentations/14July/Dennis_Jones_NCHEMS.ppt]
68. Rawsthorne, M. & Christian, F. (2005), *Government/Community Sector Compacts: Real Engagement?*, Western Sydney Community Forum, Granville, New South Wales
69. Mahony, C. (2008). "Negotiating Relationships- New research on Compacts", Council of Social Service of New South Wales

Appendix 1

University College London: Knowledge Transfer Strategy

Section A: HEI knowledge transfer strategy

Summarise the key aspects of your overall knowledge transfer strategy over the next three years, including:

- *priority aims and intended outcomes*
- *relationship to institutional mission (research and teaching etc)*
- *main activities (contract research, enterprise education, continuing professional development etc)*
- *target sectors (in business or public services or the third sector)*
- *any geographical focus (international, national, regional, local)*
- *any focus on particular kinds of target organisations (eg SMEs)*
- *main funding sources.*

UCL has a commitment to academic excellence; that is in the conduct of research, publication, teaching and other forms of KT, at the highest levels of international achievement.

UCL's primary mechanisms for KT are the supply of well-educated graduates, research publications and academic texts. Other modes involve more direct engagement with external organisations such as consultancy, research collaborations, short courses, events, sponsored studentships, and technology commercialisation.

UCL has committed to a major expansion and reframing of these KT activities to enable and encourage its academic staff and students to engage with industry, government and community organisations. Opportunities differ between disciplines. But UCL regards KT as an integral part of an academic's portfolio, enriching other aspects of academic activity, and will recognise and reward significant contributions accordingly.

For individual academic staff, this gives rise to an expectation that they will:

- Seek out and pursue opportunities to engage directly with external organisations in ways that result in direct transfer of their expertise and knowledge to the benefit of businesses and the community;

- Give encouragement and support to other staff and students to engage with external organisations where such activity is congruent with their research and teaching strengths;
- Act in a professional manner in relation to such activities, ensuring that the need of the partner is understood, that expectations are aligned and that every effort is made to ensure excellence in delivery;
- Conduct negotiations in collaboration with UCL in a timely and responsive manner, assisting UCL to secure reasonable contractual terms.

To support these broad objectives UCL has put in place structures that facilitate the relationships between academics and external organisations. It has appointed (in 2007) its first Vice-Provost (Enterprise) who directs the Enterprise Agenda and is advised by an Enterprise Board whose membership is drawn from the academic community and external experts. The Board advises on UCL's strategy that extends beyond the narrow confines of the protection and exploitation of intellectual property into developing UCL's relationships with the public, private and voluntary sectors of UK plc (outreach). It also leads, and encourages, the internal exchange of information to underpin the development of interdisciplinarity, and to enhance the internal and external communication of UCL's achievements and values.

UCL has established two main programmes to develop our relationships with business; the Corporate Alliance Programme for collaborations with a small number of major research-intensive businesses. This seeks to understand the science, technology (and possibly) training needs of the corporate and sources the relevant expertise and technology wherever it exists within UCL. The second is the Business Partnership Programme that targets both large multinational companies and SME's and focuses specifically on supporting the main research strategies that have been identified by UCL. This identifies a network of companies and organisations with which UCL can develop longer-term tailored partnerships, in order to enhance the university's international standing, stimulate UCL research, consultancy and teaching income, and benefit other university activities.

UCL Business plc (UCLB), a wholly owned subsidiary of UCL, was consolidated in 2006 to handle all commercial activities at UCL. It deals with the commercialisation process from invention disclosure and patent registration through to drafting of licences, support for the creation of new businesses and negotiations on sales of technologies and licences to industry partners.

A division of UCLB, UCL Consultants, administers and markets UCL's consultancy activities, and the formation of a Contract Division is under consideration to oversee and develop our contract research activities.

Our in-reach and out-reach entrepreneurship and executive training programmes are led by UCL Advances which was formed in 2007. It works closely with the academic department of Management Science and Innovation (MS&I), those delivering technology transfer (UCLB), KT Partnerships (KTPs), the Contract Research Office (CRO) and the KT Account (KTA) activities.

Notably UCL has developed a strong collaboration with the London Business School to enhance management skills and capacity in technology-intensive businesses and the exploitation of technology-enabled innovation. This relationship also enhances the extent of entrepreneurship training that UCL can offer its postgraduate students.

In all these activities UCL has global ambitions. Whilst it interacts with local and national businesses, and its immediate community, it sees its mission to engage internationally in pursuit of wealth creation and human benefit.

The majority of funding for these activities comes from HEIF, income generated from training programmes, services provided, licensing income and equity sales. Funding from RDAs supports some training programmes and a business partnership. RCUK Roberts funds also support postgraduate training in KT.

Describe the rationale and evidence base used to formulate these strategies including the extent to which:

- ***the current strategy represents a continuation of, or a departure from, previous strategies***
- ***the strategy maintains existing capacity for knowledge transfer or seeks to develop new capacity (eg to engage with creative industries or service sectors)***
- ***it builds on legacies and lessons learnt from previous HEROBC and HEIF-funded activity.***

Since 1993 UCL has had structures to support its KT strategy. These were, however, not well integrated. With the appointment of a Vice-Provost (Enterprise), the restructuring of UCLB and the formation of UCL Advances, UCL now has an organisational structure that can deliver effectively the strategic objectives set by UCL's senior management team. In particular the Enterprise Agenda must be aligned with UCL's research strategy and that is achieved through a close working relationship between the Vice-Provost (Enterprise) and

Vice-Provost (Research). The current strategies have been built on those established previously and the outcomes of previously funded HEROBC and HEIF initiatives have informed the evolution of these new strategies. Further, we are seeking to enhance our capacity for KT through a more directed approach to business and by encouraging the involvement of the Arts and Humanities and Social and Historical Sciences into new relationships with external organisations. These approaches are facilitated by UCL's commitment to interdisciplinary research in broad thematic areas that have global significance. Our new programmes for engagement with business (see Q1) are leading to strategic partnerships with individual organisations, and research partnerships bring together a series of businesses of different types (size and interest) to engage on innovative research into energy, health, environment and the interactions between these issues. The impact of technology, particularly imaging, on creative industries and museums is another major new initiative.

Whilst our current strategy builds on those strategies that have fostered our growing KT presence, UCL sees innovation as a major focus. Hence UCL will continue to support new initiatives—such as the two schemes outlined earlier, rather than maintaining existing channels of support. It plans to use proof-of-concept funds to develop ideas, concepts and projects to move these to market.

Similarly it will enhance its interactions with LBS by evolving new approaches rather than by a continued funding of the Centre for Scientific Enterprise (CSEL), a joint UCL-LBS venture, as the relationship between the two organisations has reached sufficient maturity to justify a directional realignment. This will enable a greater involvement of the two institutions' core faculty in planning and implementing new activities.

Describe your approach to collaboration and any key partners which have been involved in the development of strategy or will be involved in delivery. In particular, what will they contribute which adds to economic and social impacts or contributes to value for money?

- ***international partners***
- ***national partners***
- ***regional partners***
- ***other HEIs.***

Are these partnerships building upon previous alliances, or will new partnerships be established during the period?

UCL's KT strategy involves collaborations with HEIs and businesses both in the UK and abroad. Many of the businesses with which UCL has established strategic partnerships are international, and our emerging research strategy is likely to enhance such interactions. These partnerships involve not only direct research interactions but include training elements that encompass research degrees and continuing professional development (for example our alliance with BT). UCL thinks globally but is conscious of developing strong partnerships with companies, government organisations and charities based in London. Similarly it has established partnerships with several London HEIs based around proof-of-concept funds (eg. BBSF and LDA-funded) that bring together opportunities for collaborations in the exploitation of technology. UCL's strong relationship with LBS has been funded in part with HEIF funds and this is a cornerstone of our programme for engagement in executive training programmes and management training programmes in technologically based businesses.

UCL also seeks to exploit research and KT collaborations with other HEIs using several sources of competitive funding. Our strategic partnership with BT involves collaborations with UEA and Essex, and is supported financially by EEDA. Also UCL is developing new mechanisms of interaction with business (see above). Further, UCLB is developing partnerships with equivalent organisations in universities in Asia, Australasia and North America to complement its existing collaborations with several Russell Group universities.. UCLB also provides expert services for other small HEIs and other research organisations in London. UCL plays a major role in the UK-Texas alliance that was initiated by DTI.

How does your HEI monitor and evaluate its progress in knowledge transfer, including assessing outputs, outcomes and economic and social impacts, and how does evaluation inform future strategy and activity?

Have key performance indicators for knowledge transfer been defined? If so, what are they?

UCL has put in place a comprehensive system for monitoring and evaluating the outcomes of its KT activities based on its HEBI return. Quarterly reports are made to the Senior Management Team and Finance Committee. As part of UCL's annual corporate plan the Vice-Provost (Enterprise) prepares a strategic plan, budget and a risk register together with detailed objectives and key performance indicators for each of the main contributors to UCL's KT activity. The assessment of performance against these objectives is monitored and forms part of the quarterly report to SMT. The annual

report contains a detailed analysis of performance, and together these data inform the preparation of the succeeding corporate plan.

For UCLB the additional KPIs are:- invention disclosures not progressed (number/reason), patents dropped (number/reason), licences under negotiation (number/potential value), time take to secure licence, total active spin-outs, costs of patents filed, cash invested/staff member, income generated/staff member. These are monitored by UCLB's Board of Directors who exercise normal corporate stewardship of the company. The Board has both a UCL-nominated non-executive (Vice-Provost (Enterprise) and an appointed observer who ensure that UCL is appropriately informed of performance. The Director of UCL Advances reports to the Vice-Provost (Enterprise) who provides ongoing oversight and sets performance criteria. Qualitative assessment of performance is obtained by an ongoing programme of user-feedback.

The Enterprise Board will review performance on an ongoing basis, and performance reports form a part of the material that is assessed by UCL's Research Strategy Committee. This is an essential monitoring process and also acts to align research and KT strategies.

To date UCL's collaboration with LBS has developed using a separate joint venture company limited by guarantee (CSEL). The CEO of the company is responsible to a Board comprising members of both institutions and non-executive directors drawn from senior members of the technology sector. The Board has the usual corporate responsibilities for setting key objectives, monitoring performance and setting financial controls. The non-executives play a key role in assessing the wider economic and social impact of the outcomes of the collaborative programmes.

Moving forward it is planned that as the relationships are mature the company structure which has dispensed a level of discipline and control is no longer needed and UCL and LBS will bring these collaborations into the mainstream of the institutional activities, directed by key faculty. They will then be integrated into UCL's central planning and performance monitoring structures.

Assessing the economic and social impact of our KT activities is fraught with difficulties. It is by its nature largely qualitative and potentially subjective. As a first step UCL expects the Vice-Provost (Enterprise) to produce an 'impacts' report along the lines of the AUTM Better World publications towards the latter part of 2008 to demonstrate the range and impact of the KT projects emanating from UCL.

How do you seek to engage academic staff in knowledge transfer activities?

The importance of KT has been highlighted in the Provost's White Paper and Excellence Statement that have been widely discussed at departmental, faculty and university level. These documents have been endorsed by UCL's Academic Board and Council and inform the discussion that takes place in the context of the biennial appraisal of academic staff. Contributions to KT, together with teaching, research and enabling activity, form the key criteria in assessing performance. The balance of contributions may differ between individuals, and across disciplines, but a significant KT component is expected from all academics.

Heads of Department and Deans have a major role in establishing KT strategy in their areas and its implementation. The formation of UCL Advances was seen as part of an institutional driver for the recognition of the importance of KT. Further, UCL Advances, and UCLB are mandated to both promote and facilitate KT activity. Clear examples of these are the UCL Enterprise awards and postgraduate student enterprise bursaries (UCL Advances), and royalty sharing arrangements (UCLB). In the case of UCLB it funds business development managers who are located in the field – department and/or faculties – with the task of identifying new areas of potential growth in KT. The Directors of Business Partnerships and Strategic Alliances act as conduits for linking academics to business, as well as acting in a general sense as missionaries in promoting the importance of developing contacts between researchers and potential users of the outcomes of that research.

Since much of UCL's undergraduate education programme is vocational (for example medicine, architecture, engineering and law) the strong relationship of faculties/ departments with the relevant professions also enhances the potential for KT and often opens new opportunities for advanced training programmes and change management. UCL has the opportunity as a consequence to influence professional practice, and influence major societal change.

What approaches are you taking to improve performance in knowledge transfer (eg through policies, improvements to processes or practices, specific staff developments or activities to draw on and share good practice)?

UCL has a very good track record of introducing new policies to reflect best practice in KT and in many instances leads with setting standards.

UCL has been actively involved in the establishment of both UNICO, Praxis and ASTP (the European equivalent). UCL and UCLB employees actively participate in these organisations and attend AUTM. UCLB also has active representation in the LESB&I and UCL staff are frequently invited to deliver presentations, participate on working parties, petition for change and express views.

The establishment of the post of Vice-Provost (Enterprise) has been seen as a trigger for an improvement in UCL's performance in KT. The organisations formed under the Enterprise Agenda are still in the process of development and the facilitation of that development by UCL will ensure further progress in this area of activity. The appointment of a Vice-Provost (Enterprise) has signalled UCL's commitment and this ensures that the implications of all aspects of UCL's strategy in teaching and research, is considered in the light of advancing KT. This is a virtuous cycle as KT advances inform developments in both research and teaching enriching and revitalising many aspects of these core activities.

Performance enhancement in this area is not a passive response to exhortation from above. Performance in KT is evaluated as a key component of the overall academic commitment of staff. It informs the promotion process and will be taken into account in the banding of professorial appointments which starts this year. The promotion of the KT strategy is an integral part of the HoD induction programme, and will also be highlighted in staff induction programmes.

Previous HEIF funding supports, and HEIF4 will continue to support, many of the activities of UCL Advances and UCLB that are directed at enhancing the research performance and opportunities of academics. With the growing emphasis on the translational consequence of research funded by RCUK and the medical charities, the role of the Enterprise team in facilitating grant applications will become ever more important.

As indicated above UCL and its partner LBS have determined that it is no longer necessary to facilitate their interactions through the auspices of a limited company vehicle (CSEL), and sees the direct involvement of faculty in developing collaboration between them as far more effective. The change will be initiated in 2008-9 and it is envisaged that a more dynamic and sustainable collaboration will develop that will be both flexible and better integrated with the two institutions' core activities.

Section B: Planned use of HEIF 4 funds

How do you plan to allocate HEIF 4 funds? Please fill in table A below, by category of expenditure. (See guidance notes for further explanation of information sought in Q9 and Q10.)

Q9 Table A

Activity	HEIF 4 funds (£000s)		
	Year 1	Year 2	Year 3
Dedicated KT staff (salaries and other costs)	632	702	736
Support for academic staff to engage in KT activities including buying out academic time to engage in KT	150	155	160
Training/staff development for academics	75	80	85
PR/marketing activities (including travel but excluding staff costs)	245	253	263
Seed or proof of concept funds	400	400	400
Other pump-priming expenditure (specify)			
General	50	55	60
Contingency - VP-E	50	75	100
Investment in spin-out companies			
Other (please add additional rows, and describe, if significant)			
Business Partnership Programme	75	86	96
Total (should sum to 100 per cent of HEI's HEIF 4 allocation)	1677	1806	1900

Q10 Are you able to associate any HEIF 4 funds with specific knowledge transfer activity outputs (eg ring fenced funds for capacity-building and support of enterprise education, schemes to embed industry or public professionals in HEI departments, continuing professional development or consultancy support)? If so, please describe (with indications of levels of funding). (See guidance notes for further explanation of information sought in Q9 and Q10.)

In broad terms we expect to apply 50% of HEIF 4 funds for infrastructure support and capacity building primarily through UCLB, circa 22% for Proof of Concept funding, 15% for in-reach (educational and internal promotional type activity) and outreach (building contacts, networks and external promotional type activity) and the remaining 13% to support general initiatives, Awards, Business Partnership Programme and a small allocation as contingency for emerging KT opportunities. Previous HEIF funding of CSEL

for the LBS-UCL interaction will be recycled through the funding streams indicated above.

Explain how these allocations will support the implementation of your strategy as described in Section A. Please also explain whether HEIF funds will make a distinctive contribution in comparison with other funding sources and if so, what and why?

The budgetary plans for HEIF4 have been drawn up with UCL's KT strategy to the fore. A considerable portion of our allocation is reserved to support Proof-of-Concept funding which is an essential prerequisite of developing and exploiting our intellectual property. The continued funding of UCLB is essential to ensure this flow of the outcome of our research to the marketplace. UCLB's activities, and its allocation of its infrastructural support, will be dictated by UCL's research strategy. Business development managers will be allocated to areas of high priority. Other infrastructural support is necessary to sustain UCL Advances, who also receive approximately 15% of the budget to drive our in-reach and out-reach activities in training in entrepreneurship and executive management. These funds are critical to support the internal promotion of the KT strategy. In that regard having earmarked funds for awards and general initiatives is essential in encouraging and rewarding KT.

Infrastructure funds will provide support for the office of the Vice-Provost (Enterprise) and facilitate our business partnership schemes, which will also benefit from allocations from the 13% retained for supporting general initiatives. This source of funding will also be important in allowing support to be readily available for KT initiatives that are as yet unrecognised.

Much of UCLB's activity is self financing and existing resources are focussed on areas which generate income. Funds allocated to UCLB under HEIF4 will represent some 20% of the total resource of UCLB over the next three years and will be targeted to:

employing dedicated KT staff by extending our experience with HEIF3 and predecessor schemes, we will target new KT staff to Architecture, Energy, Social and Economic Sciences and MAPS which are currently underrepresented in general KT and business engagement.

This will be achieved by appointing full-time staff as employees of UCLB and supplemented by external expertise via consultancy or external contractors as necessary. We will expect to move KT staff from these initial areas to others over a period of years as activity matures and impact is made.

Existing UCLB support staff will be supplemented to ensure selected projects, concepts and opportunities are properly developed and brought to market ready state.

Accommodation, IT and other costs will be met.

Proper supervision and management time will be provided (to ensure delivery of prioritised projects selected and targeted with both individual academics and their faculties) to ensure the desired impact is made.

UCLB will continue with its existing proof of concept awards scheme to encourage more KT projects across all areas of UCL. This will supplement our other LDA supported POC project under the DASH consortium and enable a wider participation from all faculties at UCL.

Section C: Additional information

What do you consider to be the key risks in implementing your knowledge transfer strategy and achieving plans for HEIF 4? Please describe their likelihood, potential importance and how they will be managed.

Two of UCL's principal strategic objectives have major significance for UCL's KT strategy.

1. Remaining competitive with other major international universities in a rapidly changing world.

Key risk: Failure to position UCL as a global university.

UCL has a wide range of initiatives, including structural reorganisations, in place to ensure that it maintains its performance in education, research and KT (see later).

2. Identifying major research themes for the future including interdisciplinary themes, and attracting funds for this activity.

Key risk: Failure to attract research funding comparable to other major universities.

UCL has addressed this by:-

- Appointing a Vice-Provost (Research) with strategic overview
- Restructuring its Research Strategy Committee
- Setting up a Research Office
- Appointing Research Facilitators for faculties and themes
- Coordinating research and KT strategies

Specifically in the KT domain, and in respect of the strategy outlined in Q1, there are key risks.

3. Embedding an expanded KT capability within UCL.

Key risks: Failure to engage staff.

Failure to fund appropriately KT strategy

Engagement is being addressed by:-

- UCL's commitment to KT as a core activity of all academics
- Appointment of Vice-Deans (KT) in all faculties

- UCL Advance's promotional in-reach activities
- UCLB's business development managers distribution in the field
- Promotional activities of the Directors of Business Partnerships and Strategic Alliances
- Monitoring activities by the Enterprise Board
- Development of a Corporate Communications policy

Identifying multiple income streams is our major objective. Funding is being secured through:-

- HEIF4
- Internal resources
- Income from postgraduate and executive training programmes
- Seeking venture funds and alumni involvement
- Seeking business sponsorship

4. Enhanced commercialisation and business development.

Key risks: High failure rate amongst proof-of-concept projects

Absence of a pipeline of inventions

Insufficient funding to support project development

UCLB mitigates risk by:-

- Careful management of all projects; clear milestones and targets
- Robust selection process for proof-of-concept and projects for subsequent development
- Uses the expertise of its Board of Directors to advise and monitor activity
- A clear staff incentivisation programme to facilitate commitment
- Strong staff training programme
- Sources funding from both internal (UCLB and UCL) and external sources
- Commitment to networking with venture and investment community

6. Making an enhanced contribution to health and social care, business and cultural life in London, nationally and globally.

Key risks: Failure to deliver research strategy and funding.

Failure to engage staff

Failure to deliver KT strategy

These risks are mitigated by:-

- Institutional commitment
- The key actions indicated in 1-4

Please briefly describe two of your 'flagship' innovative knowledge transfer projects that will be supported by HEIF4 funding.

International Collaborative Partnership (Strategic Partnership)

UCL has partnered with a Canadian company, Arius3D, to install at UCL the latest generation 3D colour laser. The laser was based on National Research Council technology (licensed to Arius3D) and was the first of its kind in Europe. It has generated more than £2.5 million of research funding, as well as numerous workshops and seminars. Arius3D has provided associated software and specialised training to UCL staff. The company has collaborated with UCL on the scanning of artefacts in the UCL Petrie Museum of Egyptian Archaeology. This has stimulated UCL contacts with other institutions, including the British Museum and the Museum of London, and has generated new projects involving UCL Virtual Environments and Graphic Animation, media, entertainment and advertising companies.

Technology Innovation Forums (organised by UCL Advances)

UCL's Technology Innovation Forums (TIFs) are a series of half-day events designed to interface UCL academic researchers, established businesses, entrepreneurs and investors, attracting around 250 attendees. The emphasis is on initiating new interdisciplinary collaborations. The first TIF, "The Future of Imaging", was held in October 2007, and opened with a keynote presentation from Ed Parsons (Google Geospatial). This was followed by three breakout sessions—Business Drivers, Research Opportunities and Future Champions. This attracted an audience new to business-HEI interaction with 60% of attendees reporting that they had never attended a KT event previously.

Future TIF events (eg. "Energy and Sustainability", "Delivery of Medicine") will be the centrepieces of a year-long programme built around technology themes.

Appendix 2

King's College London: Access Agreement Submission To The Office For Fair Access (Offa) 2008–09

Introduction

King's College London has an established reputation as a caring and supportive institution. It has never achieved less than the maximum score for student support in the TQA exercises. More recently, the Institutional Auditors considered that the College's integrated approach to personal support and guidance (for students) was an example of good practice. It is the intention to build on this base as the College positions itself for the challenges of 2008–09 and beyond. The College intends to continue to charge variable tuition fees for all its undergraduate programmes—the statement at appendix A refers. In so doing it recognises that there is a necessary pre-requisite to satisfy the Office of Fair Access (OFFA) with regard to a number of key headings as detailed in the OFFA guidance to institutions. The details provided below address this requirement.

BURSARIES

Current provision

The College strongly believes that students should not be discouraged from entering Higher Education, or be forced to withdraw from their studies, on purely financial grounds. Therefore, the College has in place a comprehensive provision in support of students with financial difficulties within the current funding arrangements. The College's Access to Learning Fund currently provides a number of awards to current students totalling £484,656 in 2006–7. The new income generated from variable fees will allow the College to improve and expand on these existing arrangements.

Proposed provision

For 2008–9, the College will meet its statutory duty under the HE Act and provide all fully supported students with a bursary of at least £310, payable on the completion of registration and continued attendance to the first census date of 1st December, as part of its overall bursary package, the details of which are presented below.

King's myBursaries

Going beyond the College's statutory duties, the updated King's 'myBursary' scheme will be directly linked to the

means tested maintenance grant assessment performed by the student's Local Authority (or Student Finance Direct). Depending on the level of maintenance grant the LA agrees to, King's will grant a corresponding 'myBursary' award. The levels of bursary available to all students who qualify for a Maintenance Grant in 2008–9, and fall within the scope of variable tuition fees in 2008–9 will be as follows:

LA Maintenance Grant	King's myBursary
£2200 – £2835	£1,250
£1500 – £2199	£950
£700 – £1499	£350
£50 – £699	£100

Using an example with figures for 2008–9, a partially funded student receiving a Maintenance grant of £1,400 will receive a King's bursary of £350. Each fully funded student receiving the full Maintenance grant of £2,835 will receive a King's myBursary of £1,250 (£310 committed under the HE Act from the new income plus £940).

The 'myBursary' scheme includes students in receipt of equivalent LA maintenance grants from Wales, Scotland and Northern Ireland. For these students, the College intends to grant a 'myBursary', subject to a maximum value of £1,250, in line with those students in receipt of the standard HE Maintenance Grant.

In addition, students undertaking PGCE courses at the College who are in receipt of an LA Maintenance Grant will also be eligible for a King's 'myBursary'. Although the College intends to grant bursaries in line with undergraduate bursaries, this will be done only with the means tested portion of the grant. It is expected that for this particular group of students, the first £1,260 of the grant will not be means tested (confirmed by DIUS), and will therefore be disregarded by the College for the purposes of calculating any 'myBursary' payment.

Using an example of a PGCE student receiving a maintenance grant of £2,060, the first non-means tested £1,260 portion of the grant will be disregarded. This leaves a means tested grant of £800. Using the table shown above, the student would qualify for a King's myBursary of £350.

The College believes this approach is fair as the determination of this extra financial support has been independently assessed via the established LA means testing arrangements and will automatically provide additional financial support in a proportionate way to those most in need. The scheme also has the advantages of simplicity and transparency. The College believes

that it is vital that any scheme must be quickly and easily communicated to applicants by recruitment and admissions staff. Applicants and their parents must easily understand what they can expect to receive by way of financial support if they apply to King's.

The College projects that once all full-time undergraduate students (on all programmes of whatever duration) are on these funding arrangements the cost will be in the region of 25% of the additional income derived from variable tuition fees. This projection is based upon the current proportions of fully and partially supported students within the College.

However, the projections cannot fully account for all eventualities, particularly given the significant and unprecedented increases in household income thresholds for students qualifying for LA Maintenance Grants from 2008–9 onwards, and the lack of 3 historical data from which reliable projections could be extrapolated. As a consequence, the College will keep the bursary scheme under review in order that those students from the poorer backgrounds are equitably treated within the scope of the overall provision.

King's 'myScholarship' Scheme

The College has introduced a scholarship scheme designed to complement the 'myBursary' scheme.

All new full-time undergraduate students starting university from 2006–07 will automatically be eligible to be considered for a King's 'myScholarship'. One Hundred and Twenty 'myScholarship' awards each worth £1,800 will be available in 2008–09, distributed across all Schools of study at King's. All new first, second and third year undergraduate students will be eligible. The *myScholarship* will be available for 40 students in each year of entry, and will be further divided on a pro-rata basis across the College's nine Schools of study.

At the end of the academic session, each School Board of Examiners will select those students who both:

- excelled in their studies during the year, *and*
- contributed to the student life of their department, School or the College.

Summary

The College believes that the proposed range of support schemes is wide-ranging and fair in that it is based upon independent criteria applied independently. The proposed schemes target financial need both directly through the provision of bursaries based on a means tested need, and indirectly through making additional resources available to existing College financial aid schemes in order to target those in financial need irrespective of their background.

Further to this, the College's scholarship scheme seeks to identify those students who excel during their time at the College and make significant contributions to student life at the College, rather than awarding scholarships to those students who may have excelled in their pre-entry studies. Great efforts have been made to keep the proposed schemes simple so that they will be readily understood by applicants, students and their advisors.

There are certain administrative costs associated with these proposals and the College will endeavour to exercise strict control over such costs in order that this does not detract from the monies to be made available for student support.

FINANCIAL INFORMATION

The College places due importance on the need to inform applicants and students of the aggregate cost of their tuition, and also of the full range of financial help, advice and support which is readily available to them. For 2008–09 and beyond information will be provided in a variety of forms including prospectuses and websites as well as specifically designed 'myMoney' booklets dealing with all the financial aspects of student life. It is intended to extend the scope of the student web portal, *myKCL*, to cover applicants and, in particular, to include within it a diagnostic facility which will allow intending applicants to assess the possible levels of financial aid which might be available to them.

The provision of information will be supported by Welfare & Information Advisers and the Student Funding Office through which students will have access to advice on how best to manage their finances, the levels of support available through the College including time-to-pay schemes and external sources of finance. For those students who need to supplement their finances through part-time work the Careers Service will be able to provide advice and will continue to organise a part-time work recruitment fair. It is also recognised that the fear of graduate debt can be off-putting to potential applicants and so we will work with them before and during their programmes on money management.

WIDENING PARTICIPATION

The College continues to build on its impressive portfolio of widening participation activities, both in its own right and also in collaboration with others.

Building upon the considerable success of the Aspire AimHigher enterprise, the collaborating HEIs, namely the University of Greenwich, Goldsmith's College, University of London, King's College London and London South Bank

University, have come together again to form the South East London Lifelong Learning Network (SELLLN). King's is the lead institution for the Network. The complementarity between Aspire AimHigher and SELLLN is evident, and thus provides a strong foundation from which awareness raising activities focused on entry pathways in HE can continue to grow. Through the Network particular emphasis is being given to the needs of the business communities within South East London, thus addressing the acknowledged skills shortage in the area.

The College does not view outreach activity in isolation from its commitment to a comprehensive network of student support. In identifying students with the academic capabilities and the intellectual potential to take advantage of the teaching and learning opportunities provided through the College, there is a recognition that such students should be properly supported, in order that they can apply their capabilities and thus realise their potential.

The College continues to build the Staff Support for widening participation activities, the latest appointment (September 2007) was that of a Lifelong Learning Coordinator whose remit is to foster links between the College's academic departments and feeder provision in the secondary school sector and Further Education Colleges.

"MILESTONES"

The College continues to focus on its positioning vis-à-vis the HEFCE Performance Indicators (PIs), and maintains its intention to move towards achieving the location-adjusted PI by the end of the agreement period. The College also remains committed to maintaining the PI for the lower social classes and low participation neighbourhoods at, at least, the present levels. With respect to those HESA Performance Indicators due for publication in 2007, the position is as reported below:

Young people from state schools and disadvantaged backgrounds

- The latest indicators show a significant improvement, both in actual numbers and performance against benchmark. 70.3% of young full time first degree students are now from state schools, compared with HESA's unadjusted benchmark of 79.0% and location-adjusted benchmark of 74.9%;
- The recruitment of students from NS-SEC classes 4–7 lies comfortably within the statistical variation allowed (3 standard deviations, or less than 3% variation). Recruitment from low participation neighbourhoods equals the location-adjusted benchmark at 8.2%;

- Although there is under-performance against the social class and low participation neighbourhoods benchmarks, these are not judged significant if the location-adjusted benchmarks are taken. Also the numbers involved are relatively small.

Mature students

- King's is within the statistical variation allowed for location-adjusted benchmarks and absolute numbers are relatively small.

Students in receipt of the Disabled Students Allowance

- For the third successive year, King's has had a significant increase in the number of disabled students. This however reflects a national trend and there has been a corresponding rise in the benchmark.

At this stage the College believes that in an uncertain and developing market place it would be premature to commit to any additional specific objectives although it will keep these matters under review.

CONCLUSION

The College's impressive record of student support and its comprehensive portfolio of widening participation activities leave it well placed to address the additional challenges in 2008–09 and beyond. The scheme proposed above adds considerably to these strengths and is therefore commended to the Office of Fair Access. These proposals when taken in the round will mean that the College will be committing no less than 25% of the additional income generated through the charging of variable tuition fees to direct bursary and other financial support for students, with the balance being committed generally to the improvement of the student experience in a broader sense.

PW/BES

Updated January 2008

Appendix 3

Table 1. Elements of a Postsecondary Education Compact

Element	Action	State Best Practices
Involve stakeholders	<p>Choose relevant stakeholders for the compact process to ensure maximum buy-in and effectiveness, including representatives from—</p> <ul style="list-style-type: none"> • Postsecondary education—(institutions’ presidents and some deans) • Public interest—(state government leaders) • Governing boards—(state and institutional board members) • Private sector—(key business leaders) 	<p>ND —The Higher Education Roundtable, a standing committee of state leaders from industry, postsecondary education, and government, aligns postsecondary education to state economic needs.</p>
Conduct audit of state needs	<p>Determine economic needs through advisory groups and cluster and market analyses.</p> <p>Understand postsecondary education in the state by assessing its relative standing among similar states.</p>	<p>MN — Directed by the governor and legislature, the Office of Higher Education created a baseline of data, called Minnesota Measures, to understand the educational and economic conditions of the state and its people.</p>
Articulate the goals and priority mission of postsecondary education	<p>Agree on the mission, priorities, and key outputs of the overall postsecondary system, including production of STEM teachers and critical competencies and acceleration of innovation.</p>	<p>KY — Governor-initiated postsecondary education compact designed to improve the health and well-being of the people by asking five questions, each benchmarked to a metric.</p>
Specify the responsibilities of the state	<p>Share the responsibility for the success of postsecondary education in the compact by outlining state government commitment to provide clear direction to postsecondary education; align and adequately fund compact outputs over the long-term; and reduce the bureaucratic and regulatory burden to allow postsecondary education to be more flexible.</p>	<p>VA — Legislation passed in 2005 provides universities with more autonomy (in areas like purchasing and capital spending) and less regulation if they make progress meeting 12 statewide goals, including stimulating economic development in university communities; increasing the level of externally funded research conducted at institutions; and facilitating the transfer of technology from university research centers to private sector companies.</p>
Create a system of mutual accountability	<p>Establish mutual accountability systems to enforce the compact that include these tools: transparency, rewards, and sanctions for noncompliance.</p> <p>Underpin accountability system with robust longitudinal data systems with performance tied to the above enforcement tools.</p>	<p>KS —The Board of Regents reviews and approves institutional improvement plans based on core indicators of quality performance developed in cooperation with each institution. The receipt of any new state funding is tied to how well these indicators are met at the end of a yearly evaluation cycle.</p> <p>CA — The state’s Higher Education Compact, established in 2004, stabilized university-system funding in return for measurable outputs. By 2010, the California State University is committed to doubling the number of credentialed math and science teachers—from 750 to 1,500—while the University of California is raising its math and science teacher output from 250 to 1,000 annually, in part through the “California Teach” program.</p>
Articulate and agree on roles of individual institutions	<p>Establish agreements that coordinate and specify responsibilities to avoid duplication.</p>	<p>CA — Created in the 1960s under the leadership of Chancellor Clark Kerr, the California “Master Plan” divided labor among state colleges and universities this way: The University of California system held the exclusive right to confer doctoral degrees and draw undergraduate admissions from the top 10 percent of high school graduates; the California State University system earned the right to confer master’s degrees and draw graduates from the top third of high school graduates. The community college system was to have a statewide presence and provide an open pathway for all students, with specific articulation agreements facilitating transfer from one institution to another.</p>

Source: Innovation America: A Compact for Postsecondary Education, National Governors Association, Washington DC (2007) p. 8–9