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University of South Australia submission to the Senate Education and Employment References Committee on the *Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017*

The University of South Australia (UniSA) welcomes the opportunity to make a submission to the Senate Education and Employment References Committee's inquiry into the proposed reforms to higher education outlined in the *Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017* (the Bill).

The University acknowledges those reforms aimed at providing a fairer and student focussed higher education system and therefore welcomes those measures that will expand and diversify opportunities for students through expansion of the demand driven system, ensure support for disadvantaged students through legislation of the Higher Education Participation and Partnership Program, and which provide greater flexibility for students in their choice of postgraduate study.

However, as discussed in more detail below, the University is unable to support measures that reduce funding to the sector (introduction of an efficiency dividend) and which introduce significant annual operating uncertainty (annual 7.5% performance contingent funding). Such measure contradict the stated intent of the reforms to create a more sustainable higher education sector and as we have seen in the past, may result in unattended consequences (such as, over-enrol of student in certain disciplines, withdrawal of community support and regional engagement, shifts in research investment) as the sector adjusts to the loss of funding.

The proposed timelines for the implementation of the reforms across 2018 and 2019 are ambitious, particularly given the significant level of implementation detail that is still to be developed for some of the more significant measures. This presents another source of operational uncertainty for the sector and will have a negative impact on students (see below for further detail).

Detailed comments are provided below against the reform measures cross referenced to the relevant section of the Bill.

1. **Introduction of an efficiency dividend of 2.5% in 2018 and 2019 on the Commonwealth Grant Scheme. (Schedule 1 of the Bill)**

   The application of this measure will result in a cut of 2.5% in 2018 and a further 2.5% cut in 2019 on the already reduced grant allocation. That is, it is a 2.5% cut in 2018, compounded to a 5% cut in 2019 that will then remain in place thereafter.

   The justification for this cut as summarised in the policy document, the *Higher Education Reform Package, May 2017* is based on the view that:

   1. University revenue has increased faster than costs. The Commonwealth argues that the *Cost of Delivery of Higher Education study* commissioned by the Commonwealth shows that over the past 5 years average costs per EFTSL increased by 9.5% while funding for Commonwealth Supported Places increased by around 15%. The conclusion by the Commonwealth is that universities have become more efficient over time.
   2. The net asset base for the university sector is growing with some institutions showing significant cash and investment reserves.

   UniSA does not accept these justifications.

   The analysis and conclusions that can be drawn from the *Cost of Delivery of Higher Education study* are limited by the scope of the study, the efficacy of the data collection and the validity of

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comparing the result of this study with a similar (but not identical) study undertaken as part of the 2010 Base Funding Review. UniSA therefore questions whether the conclusions from two sets of data that are not fully comparable, which only consider a subset of a university's operations and which have then been extrapolated to the entire sector, are valid.

Nor does the Commonwealth acknowledge the significant infrastructure investment the sector has been able to fund through its cash and investment reserves. This is of particular note given the removal of infrastructure funding streams such as the Education Investment Fund.

These reserves are not profit. As a fiscally responsible organisation, UniSA's operating margin is between 4 and 6% p.a. The funds realised through this operating margin are from a range of sources, although the base contribution from the Commonwealth which enables UniSA to leverage other sources of income is acknowledged. The University re-invests these funds in its core business of teaching and research.

Such investments also have significant spill over effects into the local economy. For example, at UniSA we will be delivering new infrastructure to the value of $300m[1] over the next 12 months. The facilities are being financed without debt as a result of the University's careful management of its operating margins. The buildings that will be delivered each have within them facilities that will be directly accessible by the public, including a STEM outreach centre, but more significantly, these infrastructure projects have supported around 2000 jobs in the local economy.

The application of the efficiency dividend will remove the University's capacity to invest in projects of scale. It will constrain our capacity to support teaching and learning innovation within the organisation, or to make the strategic investments in research, necessary for a sustained and ongoing contribution to Australia's economic and social development.

The sector has already contributed $3.9 billion to budget repair since 2011/2012. Application of an efficiency dividend will place further pressure on the sector and is not supported.

Recommendation: That the Committee not support the proposed efficiency dividend.

2. Introduction of performance contingent funding of 7.5% on the Commonwealth Grant Scheme (Schedule 2 of the Bill)

The introduction of a performance/outcomes component to university funding has merit and is supported in principle. What is not supported is the proposed methodology for its introduction. Having up to 7.5% of the organisation's income at risk on *annual basis* will place significant constraint on forward budget planning and investment in new initiatives.

Performance criteria beyond 2018 have not been developed and will be the subject of CGS Guidelines made under the Act. The Commonwealth's commitment that any component of the 7.5% not distributed on the basis of performance will remain within the sector and distributed in some other way does not appear in the Bill. It is assumed that this will also appear in the Guidelines.

While the Commonwealth has committed to working with the sector over 2017-18 to determine performance metrics and their formula for calculation, given the size of the contingency and impact on university budgets, this represents significant uncertainty for the sector.

Recommendation: That the Committee recommends introduction of the performance contingent funding be delayed until the Commonwealth and the sector have fully scoped the performance criteria and methodology of application.

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[1] Included within this $300m investment was a $40m grant from the Commonwealth Government.

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3. Changes to funding and allocation of enabling load (Schedule 2 of the Bill)

The Bill abolishes enabling loading, replacing the loading with a maximum student contribution of $3,271 in 2018, which will be indexed in future years (Schedule 1 of the Bill). That is, the loading that covered the equivalent of the student contribution for enabling programs will be abolished and it is expected that universities will charge students a student contribution amount up to the maximum of $3,271.

As a fundamental access/participation initiative, the charging of student contributions runs counter to the intent of enabling places as an access pathway. At UniSA, students who undertake our enabling program, Foundation Studies, have experienced significant educational and social disadvantage. As such, accessing UniSA's Foundation program through our UniSA College represents a safe, low risk introduction to further study.

The policy document's, the *Higher Education Reform Package, May 2017,* justification for introducing a student contribution is that is will improve attrition and progression to further study. It compares the outcomes of nine institutions which charge a student contribution fee, and which represent 2.7% of the total enabling load across the sector, with the remaining thirty-three institutions who do not charge a student contribution and which represent the remaining 97% of student load. What is also not clear in this comparison is the educational and social status of the students undertaking fee-based enabling programs.

UniSA's view is that the justification for the introduction of a student contribution (and therefore a student HELP debt) as currently presented is unsound. We would prefer that the definition for enabling places and the types of courses of study that can be offered be strengthened to ensure it is only used by those who have experienced educational and social disadvantage and remains supported by a loading.

Recommendation: That the Committee not support the abolition of enabling loading.

The Bill also opens potential allocation of enabling load to non-Table A providers. From 2019, a competitive process based on performance outcomes for the allocation of enabling places is foreshadowed through the policy statement; it is assumed that the allocation process will form part of a CGS Guideline. For a relatively small pool of places, and in the absence of the performance criteria, it is difficult to understand the basis for an expansion to non-Table A providers.

Recommendation: That the Committee not support the expansion of enabling places to non-Table A providers.

4. Funding and allocation of sub-bachelor places (Schedule 2 of the Bill)

As a University committed to access to and participation in higher education, UniSA supports the expansion of the demand driven system to include sub-bachelor programs to provide greater opportunities and choice for students. The University's access college, UniSA College currently offers diploma programs for individuals who have experienced educational disadvantage, and who require additional academic preparation and support. Completion of a diploma program also provides credit should a student progress to a bachelor program.

In a state experiencing significant workforce structural change, the opportunity to offer sub-bachelor and para-professional programs as part of the demand driven system is welcome and supported.

Recommendation: That the Committee support the inclusion of sub-bachelor places within the demand driven system.

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5. Scholarship system for postgraduate coursework places (Schedule 2 of the Bill)

The Commonwealth's attempt through this measure to address the current inequities in the allocation of Commonwealth supported places for postgraduate coursework places is acknowledged.

However, the impact of this measure has significant implications for some disciplines. While some professions have multiple pathways for entry to the professions at both Bachelor and Masters level, for other professions such as architecture, entry to the profession nationally, requires completion of a Masters program.

Neither the Bill nor the policy statement, provide the level of information necessary for the sector to prepare for this significant shift in the provision of postgraduate coursework programs. Nor can the sector provide accurate advice to students who may be considering further study over 2018 and 2019.

The lack of clarity around the scheme places considerable constraints on planning and the restructuring of program offerings, particularly professional pathways, which will require consultation with industry and the professions, within the proposed implementation timeline of 2019.

Recommendation: That the Committee recommends introduction of the scholarship system for postgraduate coursework programs be delayed until the Commonwealth and the sector have fully scoped the scheme and transition time frames.

6. Changes to HELP Repayment Income Threshold (Schedule 3 of the Bill) and Rebalancing Commonwealth and Student Contributions (Schedule 1 of the Bill)

UniSA supports the Government's intent to ensure our higher education system will be on a strong financial footing, and sustainable into the future, through continuing to share the costs associated with higher education between students and the public. An increase of 1.8% annually in the student contribution amount from 2018 to a cumulative total of 7.5% in 2021 appears reasonable as a single measure, but when combined with the impact of the lower threshold for repayment of the HELP loans this will place a significant burden on many students.

Findings of the most recent survey of student finances[2] included:

- *In 2012, more than two-thirds of students reported being worried about their financial situation. The level of concern about finances has risen substantially since 2006 – by about twelve percentage points across the board. The highest overall level of concern was expressed by full-time, low SES undergraduates, of whom 76.6 per cent indicated that they were worried about finances.*
- *An average of about 17 per cent of students reported regularly going without food or other necessities because they were unable to afford them, and there was an increase from 14.7 per cent of full-time domestic undergraduates in 2006 to 18.2 per cent in 2012 who were regularly going without.*
- *Somewhat fewer domestic, full-time undergraduates were in employment in 2012 (80.6 per cent) than in 2006 (85.5 per cent), yet the average hours worked during semester by all full-time students who were in employment has increased; from 14.8 to 16.0 hours for undergraduates; from 17.0 to 20.1 hours for postgraduate coursework students, and from 8.0 to 10.5 hours for HDR candidates. Overall, around one quarter of employed, full-time undergraduates were working over 20 hours per week during semester.*
- *Increased hours of work are affecting students" educational experience, with 50.1 per cent of full-time undergraduates reporting that their work adversely affects their performance at university. This is a rise*

[2] Universities Australia, July 2013: *University student finances in 2012. A study of the financial circumstances of domestic and international students in Australia's universities*

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of 10 percentage points over 2006 levels. One in three domestic undergraduates, and one six international undergraduates, reported that they regularly miss classes because of employment obligations.

Many students within the system are struggling financially. Lowering the repayment threshold will add to this burden as students balance study, work and the costs of living. There will be very little or no buffer between the completion of study and commencement of HELP debt repayments. Indeed for some students with work and family commitments, repayment may well commence while the student is still studying, placing additional burden on already low-income households.

Recommendation: That the Committee not support the lowering of the HELP repayment income threshold.

7. Higher Education Participation and Partnership Program (HEPPP) (Schedule 4 of the Bill)

As a university where the provision of education to the educationally and socially disadvantaged is enshrined in our Act of establishment, UniSA strongly endorses the proposed legislative arrangements for HEPPP. UniSA College has been very successful in providing pathways to higher education and outreach programs in the community. A legislated student loading for low SES students and retention of both performance funding and the National Priorities Pool will provide greater certainty for the sector as we continue to open up educational opportunities to the most vulnerable in our society.

Recommendation: That the Committee support the proposed legislation for the Higher Education Participation and Partnership Program.

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