



8 June 2017

Committee Secretary  
Senate Education and Employment Committee  
PO Box 6100  
Parliament House  
Canberra ACT 2600

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Dear Committee members

**Flinders University submission- Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017**

Flinders University welcomes the opportunity to outline its position in relation to a number of key measures within the Higher Education Reform Package.

Flinders does not support the measures that will reduce overall funding for higher education that will negatively impact upon the financial sustainability, global reputation and international competitiveness of the Australian university sector.

The minimum financial impact of the proposals would be to decimate Commonwealth support for students studying in Australian universities. While a proportion of this cost is shifted to students through increased fees, the final result is a real terms cut to universities where students will be required to pay more for less.

The financial impact of the proposed changes do not end there since there is the potential for a further reduction in CGS of up to 7.5% for affected institutions through a performance-based system that has yet to be defined.

Other elements of the package are also undefined or their potential impact unknown. For example, nearly 2% of domestic students in Australian universities are either permanent residents or NZ citizens and the future impact of changes in their eligibility for Commonwealth support is unknown.

Australian universities perform strongly, and Flinders University contends that no performance issue has been identified by the independent regulator TEQSA to justify the introduction of a potentially punitive performance-related funding measure.

Overall, the majority of the measures outlined in the Higher Education Reform Package require significant further consultation with the university sector and should not be progressed into legislation in their current form.



This submission is intended to complement those from Universities Australia and the Innovative Research Universities Group (IRU).

Please do not hesitate to contact me should via \_\_\_\_\_ should you wish to discuss any element of this submission further.

Yours sincerely

Professor Colin Stirling  
President and Vice-Chancellor  
Flinders University



## **Flinders University- Response to the Higher Education Reform Package**

### **Executive Summary**

- Flinders does not support measures that reduce overall funding for higher education and impact the financial sustainability, global reputation and international competitiveness of the Australian university sector;
- The closure of the A\$3.8 billion Education Investment Fund (EIF) in January 2015 has required that universities such as Flinders generate surplus budgets to provide for infrastructure and capital projects that maintain our international competitiveness. The imposition of an efficiency dividend and a performance-related component of CGS puts this infrastructure investment, and the impetus it creates for the economy, at risk;
- Flinders argues that Australian universities perform strongly, and contends that no performance issue has been identified by the independent regulator TEQSA to justify the introduction of a punitive performance-related funding measure;
- Measures such as the changes to postgraduate scholarships, expansion of the demand-driven system to sub-bachelor degrees, changes affecting permanent residents and NZ citizens and other measures outlined in this submission require significant further consultation with the university sector before changes are legislated.

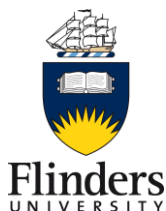
### **1. Efficiency Dividend on the Commonwealth Grant Scheme and increases to the student contribution for higher education funding**

Students will be paying more to get less.

- Flinders University does not support measures that will increase the student contribution by 7.5% over the forward estimates whilst simultaneously decreasing the Commonwealth contribution by 10.3%, leading to an overall reduction in funding for universities of 2.8%.
- Higher Education has been targeted as an area for budget savings via an efficiency dividend based on a misunderstanding of the direct and indirect costs of providing world-class higher education (including the provision and maintenance of infrastructure) and a misconception that the sector can absorb a reduction in funding.

Flinders is an efficient university, and improving financial sustainability is of critical importance. The implementation of the proposed 'efficiency dividend' will impact our ability to deliver quality higher education and invest in the infrastructure required to support world-class universities.

- Flinders University maintains that efficiency, accountability and financial sustainability are demonstrated by the generation of surplus budgets, not deficit budgets.
- Flinders University targets an annual operating surplus margin of 5%. In 2015 Flinders achieved a margin of 3.1% and the financial surplus amounted to \$14.1 million.
- The proposed efficiency dividend will reduce revenue received by Flinders by a projected \$28 million over 2018-2021, or around \$8 million per annum.

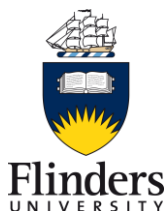


- A university operating surplus is not profit. Flinders has recently reinvested \$180 million in capital from its balance sheet in two key infrastructure initiatives; our nationally acclaimed new Student Hub and Plaza in 2016 and our cutting-edge building within the Tonsley Innovation District in 2015 that is home to our STEM disciplines and our start-up incubator and accelerator program (New Venture Institute).
- The development of the Student Hub and Tonsley buildings created 250 direct jobs through construction and a further 750 indirect jobs for the South Australian economy, and have been beneficial in sustainably attracting the best and brightest domestic and international students to Flinders University.
- The Education Investment Fund had approximately A\$3.8 billion in capital when it was closed in 2015. Following the closure of EIF, Australian universities have little alternate recourse for investment in infrastructure to maintain their international competitiveness.

## **2. Performance-contingent Commonwealth Grant Scheme (CGS) funding for universities**

No performance issue has been identified at Australian universities by the independent quality regulator, yet a high price may be paid by some universities and their students as a result of a reallocation of CGS funding.

- Flinders University does not support the introduction a 7.5% performance-related component of Commonwealth Grant Scheme (CGS) funding, impacting the allocation of around \$500 million in CGS per annum.
- The financial and reputational consequences of this measure could be catastrophic for affected institutions.
- The CGS component at risk for Flinders would equate with around \$11 million per annum. This is in addition to the financial impact of the proposed efficiency dividend of around \$8 million per annum.
- Flinders does not object to the need for universities to demonstrate performance, but contends that Australian universities are high-performers and that the independent agency charged with oversight of quality and performance (Tertiary Education Quality Standards Agency- TEQSA) has not identified any systemic issues with university performance or quality.
- In a demand-driven system, students vote with their feet and will choose higher education providers, discipline areas and courses that demonstrate high performance in the criteria that resonate with their needs. Information available to students in relation to performance has been enhanced with the launch of the online Quality Indicators of Learning and Teaching (QILT) measure for students to compare universities and courses against a number of output metrics and view graduate destination survey information.
- Commonwealth Grant Scheme (CGS) funding is provided to subsidise tuition costs for higher education students. Therefore, a punitive performance mechanism that disregards student choice and reallocates up to \$500 million of annual CGS funding between universities will effectively take money from some students to reallocate to others.
- Universities will be advised in the final months of a given year as to whether their CGS allocation has been impacted positively or negatively for the following year. This short notice would have significant impact on financial modelling and budgeting in Australian universities.



- Flinders is concerned about the lack of transparency in relation to the performance criteria to be negotiated between individual universities and the government, and a potential uneven playing field by which universities and their students will be judged. There is also concern about the degree of discretion that can be exercised by the Minister in reallocating funding.
- Ministerial discretion to ‘pick winners’ by reallocating CGS funding on the grounds of performance-based arguments to specific institutions, geographical regions or discipline areas that achieve the short-term aims of government may skew enrolments into areas that may not be in the best interests of students, employers or the community over the medium and longer term. While the “performance funding” element of 7.5% is to remain within the sector its redistribution among Universities will create ‘winners’ and ‘losers’ among universities, creating a two-tier system of Commonwealth support for students who will pay the same level of fees regardless. This is wrong and does not provide a fair go for all.
- Performance can not necessarily be measured accurately over a short period. Should performance be assessed over a shorter timeframe under this measure (i.e. 12 months), universities will potentially become driven by shorter term objectives rather than longer term ones.
- Metrics imposed on the sector could lead to perverse outcomes. For example a performance metric that rewards the achievement of targeted cost efficiencies by an increased allocation of CGS funding to a level that then exceeds their cost of teaching while leaving some universities underfunded seems paradoxical.
- As highlighted above, at universities such as Flinders the generation of an operating surplus is key to funding infrastructure and capital projects. The reallocation of the performance-related component of CGS funding is tantamount to Government deciding which universities will run surplus budgets to fund infrastructure investment and which will run deficit ones to do the same.
- The high performance of Australian universities has resulted in international education becoming the third largest national export earner, generating \$21.8 billion in 2016. Notwithstanding the myriad factors impacting international education demand, messaging from the Federal Government implying there are performance issues within our university sector risks unnecessarily denting Australia’s reputation as a global destination for high-quality education, and may unjustifiably diminish the confidence of the local community, students and their parents in Australia’s universities.

### **3. Changes to the Postgraduate scholarship system**

- Flinders University seeks further information regarding the proposed postgraduate system ahead of its implementation and does not support the removal of 3,000 Commonwealth Supported postgraduate places.
- In past submissions to Federal Parliament (*Review of the Demand-Driven System*, 2013) and the Coalition Government (*Driving Innovation, Fairness and Excellence in Australian Education*, 2016), Flinders University has raised concern about the inequitable allocation of non-research CSP postgraduate places.
- Approximately 3,878 commencing and continuing students were enrolled in postgraduate courses at Flinders University in Semester 1 2017.



- This represents one of the largest postgraduate cohorts relative to overall enrolment of any university in Australia. The demand for postgraduate places and the success of Flinders University in this space can be seen in high employability of our graduates. The Government's new QILT tool demonstrates that around 93.2% of graduates from Flinders postgraduate courses are in employment 4 months after graduation, which is consistent with the national average.
- The discipline areas at Flinders with the largest number of postgraduate students included education, health (nursing and allied health) and social work- i.e. areas that address significant need within the community and an ageing population.
- The Review of the Demand-Driven System validated its effectiveness in being responsive to labour market needs, and indeed there is a concession to this success with the expansion of the demand-driven system to sub-bachelor degrees being included amongst the package of reform. Therefore an understanding of why non-research postgraduate courses were excluded from the expansion of the demand-driven system requires clarification by the government.
- The introduction of a revised but still regulated postgraduate scholarships system with significant involvement and input from a third-party advisory body is at odds with the success achieved via a demand-driven system at the undergraduate (and proposed at sub-bachelor) level. Increasing the level of intervention and will distort market signals for students and universities and create overt focus on short-term priorities that align with the political cycle rather than the needs of industry. This is completely at odds with the philosophy of the demand-driven system.
- Flinders University works closely with industry and professional associations, the latter of which are increasingly seeking Master degree qualifications for membership. Reform to postgraduate system must be cognisant of the demand from professional bodies and students.
- As a significant provider of postgraduate education, Flinders University would welcome involvement in consultation on this measure.

#### **4. Changes to Enabling courses**

- Flinders is concerned by a number of changes in relation to enabling courses, including that a fixed number of enabling places will be allocated on tender basis to both universities and non-university providers- which would necessarily include for-profit providers should they bid for places.
- It appears illogical that the Government would encourage for-profit providers to enter the market given that this will only occur if profits can be realised and dividends paid to shareholders. This contrasts markedly with the not-for-profit Universities who re-invest surpluses in ways that directly benefit students.
- Significant additional consultation with the university sector is required prior to the implementation of this measure to avoid unintended consequences.

#### **5. Expansion of the demand-driven system to sub-bachelor degrees**

- Flinders University cautiously supports the expansion of the demand-driven system to sub-bachelor degrees for Table A universities.



- As outlined above (post-graduate scholarships), an efficient, demand-driven mechanism is better placed to address skilled labour shortages and industry needs than a historic allocation or government-driven approach.
- Amendments to the Bill require that universities do not advise a student that they are in receipt of a Commonwealth place without verification that they have no existing/previously obtained higher education award. Checking for existing higher education awards will add to the overhead costs of a university that are borne by taxpayers.
- The Australian economy is one of transition. Traditional industries are making way for those that are more knowledge-intensive. Australia workers with an existing sub-bachelor higher education award that seek to prepare and requalify for employment in new industries must be assisted by the government in this regard.
- Flinders supports the planned expansion of sub-bachelor degrees to areas of industry need. However the definition of industry need must not be prescriptive, it must be flexible to enable universities to meet the needs of local industry and SME's as well as larger companies.

#### **6. Planned review of Higher Education Provider Category Standards**

- The Government will conduct a review commencing in the second half of 2017 in relation to Provider Category Standards, and will consider the outcome of the review in the 2018-19 Budget context.
- An international reputation and significant level of trust built has been built over a period of three decades in the Australian university brand.
- The Federal Government should not contemplate changes to the Provider Category Standards that open up the Australian University category, and other relevant categories, to for-profit providers.
- The Australia university sector cannot afford a scandal on the scale of that seen in the VET/RTO sector. To relax the university category standards poses a risk to Australia's reputation and risks export earnings from international education over the medium to longer term.

#### **7. Higher Education Participation and Partnership Program (HEPPP)**

- Flinders has a strong record of achievement in promoting equity and access for low SES students and is of the view that HEPPP funding has been essential to the expansion of opportunity for low SES students at Flinders in recent years.
- In 2016, around 24 percent of all domestic undergraduate enrolments at Flinders were from a low SES background compared to 18 percent in 2006. This includes more than 31 percent of enrolments in our School of Chemical and Physical Sciences, 26 percent in our School of Nursing and Midwifery and 25 percent of enrolments in our School of Computer Science, Engineering and Mathematics.
- Flinders University argues that universities that have demonstrated a successful track record in the retention and progression of low SES students should be recognised accordingly and funded to maintain and further improve those outcomes.



- Whilst there is support for enshrining HEPPP in legislation, funding must not be reallocated from other higher education areas (for example, a reallocation from the performance-related component pool of CGS) and thus result in a zero-sum game for universities and their students.

#### **8. Replacing subsidies with loans for most permanent residents and New Zealand citizens**

- Flinders University recommends that further discussion be held with the higher education sector in relation to this measure.
- In 2017 there are over 683 permanent residents and 90 New Zealand citizens that are students at Flinders University- that represents a significant proportion of our student population. In 2015 approximately 16,734 permanent residents and New Zealand citizens were enrolled at an Australian university out of a population of 1,046,835 domestic students- that equates to nearly 2% of the domestic student population (2015, Department of Education and Training data).
- Permanent resident (PR) status is not easily obtained- requirements include that an individual has lived and worked in Australia for a number of years (between 2-4 years), demonstrates English competency and be of good character. Therefore prospective students with PR status have a bona fide commitment to make their future in Australia and contribute as part of the workforce.
- Whilst permanent residents and New Zealand citizens currently in receipt of the Commonwealth supported place will retain access while they remain enrolled in their existing course, the measure will be introduced from 1 January 2018 with very little advanced warning for prospective students and universities.
- The current funding arrangements for permanent residents and NZ citizens allows them to be funded by the Government but to pay their student contribution upfront. From 2018, under the proposed change PR and NZ students would pay between \$12,165 and \$33,437 per annum. Students could defer payment through the HELP loan scheme.
- Reduced enrolments will impact financial projections for university revenue and may further compound the consequences of the efficiency dividend and add pressure on maintaining financial sustainability
- The estimated financial impact of PR and NZ students choosing not to study at Flinders University in future years as a result of the implementation of this measure could be in excess of \$9.5 million per annum. Prospective students may elect to study offshore. This represents a massive financial impact and would further compound the reduction in revenue from the efficiency dividend and any reallocation from the performance-related CGS component.

#### **9. Expansion of support for Work Experience in Industry (WEI) units**

- Flinders gives in-principle support for Commonwealth contributions for WEI units that are credited towards a Commonwealth supported qualification.
- Flinders is seeking to offer innovation and entrepreneurship topics to students across a broad range of discipline areas over the coming years.
- In line with the National Innovation and Science Agenda (NISA), the definition of work experience in industry should include student entrepreneurship/start-up activities in conjunction with an approved start-up incubator and accelerator program, such as the New Venture Institute at Flinders University.