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Go8 Submission to the Senate Education and Employment Legislation Committee inquiry into the Higher Education Support Amendment (Job-Ready Graduates and Supporting Regional and Remote Students) Bill 2020

Introduction and Executive Summary

The Group of Eight (Go8) welcomes the opportunity to make a submission to the Senate Education and Employment Legislation Committee inquiry into the Higher Education Support Amendment (Job-Ready Graduates and Supporting Regional and Remote Students) Bill 2020.

In summary, the Go8 believes that through a number of amendments outlined in this submission that a workable bill can be passed in the national interest.

As noted in its submission to the feedback process to the Exposure Draft Legislation, the Go8 shares the aspiration of the Government for a world-class university system that provides the highly-educated graduates required by Australia to ensure a successful post COVID society and supports successful employment choices and outcomes for students.

To that end, there are a number of positive elements to the JRG package and legislation, including a commitment to indexation of Maximum Basic Grant Amounts, additional funding to grow the number of higher education places, simplification of the funding clusters and introduction of a demand driven system for indigenous students.

However, as also noted in the Go8 submission, there remains a lack of coherence in the legislation which has been compounded by the short consultation period. The Committee process provides the opportunity for the Go8 to address some of these issues through the suggested amendments below.

In doing so, the Go8 would also highlight the need to regularly review the evolution of Higher Education enrolment and completion patterns against the assumptions and targets of the Job-ready Graduates package.

The Go8 would also assert that in the reform of Higher Education policy there needs to be not only coherence within the current legislation but also a coherence and coordination between the structure and funding of both teaching *and* research against the formal mission of universities as encoded in the Provider Category Standards. This legislation is but one piece of that bigger Higher Education picture.

In this context, the Go8 notes the release of its blueprint for research excellence *Enabling Australia's Economic Recovery Through Supporting Research Excellence*¹ released on 9 September.

¹ <https://go8.edu.au/publication-enabling-australias-economic-recovery-through-supporting-research-excellence>



Go8 suggested amendments to the Higher Education Support Amendment (Job-Ready Graduates and Supporting Regional and Remote Students) Bill 2020

1. Implement as much as possible of the JRG package in the current legislation

The exposure draft of the Bill was amended to incorporate a floor for the Maximum Basic Grant Amount (MBGA) for institutions and to establish the MBGA for the transition period 2021-24 in the CGS Guidelines. Where possible similar arrangements should be made for elements of the JRG package not implemented in the current Bill including *indexation* of the MBGAs, transition funding and funding for the National Priorities and Industry Linkage Fund and the Indigenous, Rural and Low-SES Attainment Fund, and growth funding.

2. Provide for sufficient growth in the system to accommodate increase in demand from COVID-19 and from population growth

The Bill should include growth funding and ensure that total per student funding does not decrease so that universities are resourced to fill extra places to satisfy greater anticipated demand.

3. More equitable Student Contribution Amounts

Modify the cluster arrangements so that no Student Contribution Amount is set above the current maximum rate.

4. Address conflicting incentives for students and universities in funding cluster arrangements

Modify the cluster arrangements so that no course that is incentivised for students by lower a Student Contribution Amount is disincentivised for universities by a lower total funding amount from the Commonwealth Grant Scheme contribution and Student Contribution Amount.

5. Additional student protection measures and institutional audit provisions for Table A providers (Schedule 4) should be removed

These measures are not part of the articulated JRG package, were not designed for universities, have been introduced without widespread consultation with the sector, will have unintended and perverse outcomes for students, and run counter to a risk-based approach to regulation of higher education.



Discussion

The JRG legislation as it stands is incomplete as it implements some, but not all of the JRG package. Through the changes to cluster arrangements and grandfathering of these arrangements presented in the legislation, the Go8 estimates that in 2021 its per student funding through the CGS will decrease by 5 per cent and total per student funding (CGS and Student Contribution Amount) will reduce by 6 per cent.

The measures missing include transition funding for the introduction of the JRG, indexation of Maximum Basic Grants Amounts (MBGA) beyond 2025, funding for the National Priorities and Industry Linkage Fund, funding for the Indigenous, Rural and low-SES Attainment Fund, and growth funding for student places.

This additional funding remains at the discretion of the Minister for Education which is disquieting in a democratic system of Government. Surely decisions so critical should not be at the whim of whoever is Minister of the day. That said, the Go8 was pleased to see that the Bill that went to Parliament contained a floor for the MBGA from 2025 (noting that the amounts for 2021-24 are to be set in the CGS Guidelines - a legislative instrument).

Even allowing for these other promised measures which are not legislated in the draft, Go8 modelling indicates that by 2024 (when the JRG transition arrangements end), Go8 universities will be expected to teach an additional load of approximately 5,000 EFTSL with a decrease in base funding of \$97m or 2.7 per cent over the current arrangements. This will affect the quality of education for domestic students, is at odds with Government's supposed post COVID needs, and drafted without full appreciation of the likely consequences.

The current legislation asks that more is done with less support at a time when collectively the Go8 is facing a significant revenue downgrade in 2021 and 2022. When the projected NPILF payment for Go8 universities (estimated at approximately \$60 million in 2024) is taken into account, total per student funding for the Go8 will be \$22,307 (down by \$945 or 4 per cent on the current arrangements). This seems at odds with what the Go8 will be required to achieve by Government for the nation, post COVID.

A more detailed summary of this Go8 modelling is provided in an appendix.

Analysis by Mark Warburton from Centre for the Study of Higher Education at the University of Melbourne suggests that the growth funding provided by the JRG package will not be sufficient to deliver the growth in *places* claimed in the package.² Additionally, significant extra demand is expected to be generated by the COVID-19 economic recession in addition to the demand from the longer term population growth anticipated through the 2020's.

For these reasons the Go8 believes it is essential that the legislation locks in as much of the JRG package as possible – including additional growth funding – and sets growth funding and per student funding at a level that can accommodate the future demand.

In terms of the changes to funding clusters in the legislation there is a significant cost shift from the Government to students. Students will go from paying 42 per cent to 48 per cent of their education and this has been implemented through dramatic changes to fees for some courses – particularly those in the Humanities where the

² <https://melbourne-cshe.unimelb.edu.au/lh-martin-institute/fellow-voices/unravelling-the-tehan-vision-for-higher-education>



Student Contribution Amount will rise by 113% to \$14,500. **The Go8 recommends in the interest of student equity moderating these changes so that no student fee is set above the current maximum rate.**

The funding cluster changes are supposedly aimed at providing incentives (through modified Student Contribution Amounts) for students to enrol in courses aligned with future strategic workforce needs for Australia and therefore delivering superior employment outcomes (although the evidence provided to support these claims is limited). This reform is undertaken concurrently with the alignment of funding provided for course delivery with the cost of delivering the course (as measured through the Deloitte 2019 *Transparency in Higher Education Expenditure* report). The combination results in a number of courses where the incentives for students and universities are opposed. This is particularly an issue where both the SCA and the overall funding provided to universities for a course are lower, thus providing an incentive for the student to undertake the course but not for the university to deliver the course. This includes key disciplines such as Mathematics, Education, Engineering and Science. **The Go8 recommends that these conflicts be removed from the legislation.**

Of particular concern to the Go8 in the legislation are the measures to extend and strengthen student protection and provider integrity (Schedule 4). Go8 institutions have an unequivocal and long-standing commitment both in principle and practice to the protection of student interests and institutional integrity. However, the measures in the legislation have been introduced without any consultation with the sector and seemingly are inherited from the response to historical issues with the VET FEE-HELP program – a very different context.

There is no evidence provided within the legislation documentation that there are significant issues to be addressed in this space and that the legislative measures are proportionate to the risk. Consequently, without further significant discussion and amendment these measures have the potential to disadvantage students, introduce additional red-tape for universities and undermine the proportionate and risk-based approach to regulation of the higher education system.

As a case in point, the measures to remove CSP and FEE-HELP support for students who in undertaking (at least) eight units towards a bachelor degree do not successfully complete 50% of these units (36-13 of the legislation). One major consequence of this measure is the possibility that a student who has a poor first year may be locked out of their course when there are university mechanisms to support students and deliver successful outcomes if given time.

The Go8 recommends that these measures are removed from the Bill and if the Government believes that there is a need for enhanced provider integrity measures for universities, then this should be conducted through a separate, targeted and evidence-based consultation process.

Considering the broader Higher Education policy context, the Go8 notes that the JRG package has made total student funding through CGS and SCA contributions (known as *base funding*) cost reflective of the specific teaching being delivered.

Base funding for universities – as defined by the Lomax-Smith *Higher Education Base Funding Review* report from 2011 - is provided under the Higher Education Support Act 2003 (HESA), through the Commonwealth Grant Scheme (CGS) and student contribution payments.



According to the Lomax-Smith review the purpose of providing base funding is to

... ensure that public universities have sufficient resources to maintain the quality of course delivery expected from the Australian higher education system. Base funding to universities provides for the employment of academic staff, and resources (such as administrative support and infrastructure). This enables universities to deliver teaching and learning programs, to engage in scholarship to inform teaching programs, and to provide institutions with a base capability to undertake research, in appropriately resourced facilities. (Page 2)

The Lomax-Smith review concluded that 6 to 10 per cent of base funding could reasonably be associated with activities relating to maintenance of base research capability.

In 2014 the unsuccessful Higher Education and Research Reform Amendment Bill implicitly benchmarked the research component of the CGS part of base funding at approximately 30 per cent given that Non University Higher Education Providers were provided 70% of the funding of universities to deliver higher education courses (Section 33-10).

As noted above, the current legislation breaks this paradigm by making base funding cost reflective of the teaching delivered. This was recommended in Productivity Commission's seminal 2017 *Shifting the Dial* report where it was also noted this should not be done without reforming research funding:

Making payments to universities for Commonwealth-supported places more cost-reflective would be an option to address the problem. However, it would have undesirable flow-on effects to university research capacity unless offset by other funding initiatives. It cannot be recommended without a reassessment of research funding arrangements for universities, or indeed their overall operation.³

Consequently, the Go8 notes that the current legislation makes reform of research funding even more urgent than previously and that research reform must be coherent with the current reform of teaching arrangements.

More detail on the Go8 recommendations for research reform can be found in the Go8 blueprint for research excellence *Enabling Australia's Economic Recovery Through Supporting Research Excellence*⁴ released on 9 September.

The Go8 looks forward to an ongoing engagement in the development of this legislation which is critical to Australia's future economic prosperity and societal well-being. If you have questions regarding the Go8 submission please do not hesitate to contact me

Yours sincerely

VICKI THOMSON
CHIEF EXECUTIVE

³ Shifting the Dial: 5 year productivity review – inquiry report, Supporting Paper 7: University Education, Page 2
<https://www.pc.gov.au/inquiries/completed/productivity-review/report/productivity-review-supporting7.pdf>

⁴ <https://go8.edu.au/publication-enabling-australias-economic-recovery-through-supporting-research-excellence>

Appendix – Detailed modelling of the impact of the Go8 of the JRG package (based on 2018 CSP load)

Current Funding Arrangements

	2020	2021	2022	2023	2024
Funded Places	157735	157044	156589	155672	154407
Government Contributions	\$1,976,731,841	\$2,003,971,456	\$2,030,456,464	\$2,057,577,223	\$2,086,677,274
Student Contributions	\$1,425,780,277	\$1,445,136,744	\$1,464,036,332	\$1,483,180,102	\$1,503,572,928
Base Funding	\$3,402,512,119	\$3,449,108,200	\$3,494,492,795	\$3,540,757,325	\$3,590,250,202
Govt Funding per student	\$12,532	\$12,761	\$12,967	\$13,217	\$13,514
Student Contribution per student	\$9,039	\$9,202	\$9,350	\$9,528	\$9,738

Proposed Funding Arrangements

	2020	2021	2022	2023	2024
Funded Places	157735	158307	158724	159033	159281
Government Contributions	\$1,976,731,841	\$1,917,578,490	\$1,871,416,062	\$1,848,657,294	\$1,841,452,894
Student Contributions	\$1,425,780,277	\$1,352,111,592	\$1,464,534,152	\$1,561,223,760	\$1,652,083,081
Base Funding	\$3,402,512,119	\$3,269,690,081	\$3,335,950,214	\$3,409,881,054	\$3,493,535,975
Govt Funding per student	\$12,532	\$12,113	\$11,790	\$11,624	\$11,561
Student Contribution per student	\$9,039	\$8,541	\$9,227	\$9,817	\$10,372

Current vs Proposed Funding Arrangements

	2020	2021	2022	2023	2024
Current Base Funding	\$3,402,512,119	\$3,449,108,200	\$3,494,492,795	\$3,540,757,325	\$3,590,250,202
Proposed Base Funding	\$3,402,512,119	\$3,269,690,081	\$3,335,950,214	\$3,409,881,054	\$3,493,535,975
NPILF (Indexed)	0	\$56,500,000	\$57,517,000	\$58,437,272	\$59,547,580
Additional HEPPP Estimate		\$1,848,117	\$1,952,928	\$2,005,083	\$2,049,195
Transition		\$121,070,002	\$99,072,654	\$70,433,916	\$0
Difference		\$0	\$0	\$0	-\$37,166,647

Current vs Proposed Base Funding Per Student

	2020	2021	2022	2023	2024
Government Contributions \$	\$0	-\$648	-\$1,176	-\$1,593	-\$1,953
Government Contributions %	0%	-5%	-9%	-12%	-14%
Student Contributions \$	\$0	-\$661	-\$123	\$289	\$634
Student Contributions %	0%	-7%	-1%	3%	7%
Total Base Funding \$	\$0	-\$1,309	-\$1,299	-\$1,304	-\$1,319
Total Base Funding %	0%	-6%	-6%	-6%	-6%

Current vs Proposed Government Funding Per Student (including NPILF/Transition)

	2020	2021	2022	2023	2024
Current	\$12,532	\$12,761	\$12,967	\$13,217	\$13,514
Proposed	\$12,532	\$13,341	\$12,951	\$12,703	\$12,312
Difference	\$0	\$581	-\$16	-\$514	-\$1,203
Difference %	0%	5%	0%	-4%	-9%

Current vs Proposed Total Revenue Per Student (including NPILF/Transition)

	2020	2021	2022	2023	2024
Current	\$21,571	\$21,963	\$22,316	\$22,745	\$23,252
Proposed	\$21,571	\$21,776	\$22,004	\$22,252	\$22,307
Difference	\$0	-\$187	-\$313	-\$493	-\$945
Difference %	0%	-1%	-1%	-2%	-4%