

Australian Catholic University (ACU) Response to Questions on Notice

Senate Education & Employment Legislation Committee: Inquiry into the *Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017 (the Bill)*

31 July 2017

QoN: Senator Bridget McKenzie

- 1. Can you please break down your annual reports to a granular level so I can understand your teaching costs per student, including associated teaching expenses and marketing?**

At the Government's request, ACU and several other universities provided very detailed data to Deloitte Access Economics to assist the Government with its study on the cost of delivery of higher education in Australia. As the Government acknowledged at the time, this information is sensitive in a competitive market and, consequently, ACU accepts the Government's commitment to ensure that this very detailed commercial-in-confidence information will remain confidential at an institutional level.

In the interests of transparency, each university's financial data is reported annually in the Department of Education and Training's Financial Reports of Higher Education Providers. The latest available data is for the 2015 year and can be accessed via <https://www.education.gov.au/finance-publication>

- 2. Please provide a detailed summary of the remuneration structure for the Vice-Chancellor of your institutions.**

The ACU Annual Report indicates the total remuneration package for the Vice-Chancellor.

In 2016 the total remuneration package range was \$1,330,000-\$1,339,999. The total remuneration package includes salary, superannuation and fringe benefits including residential accommodation.

Information is publicly available at:

http://www.acu.edu.au/about_acu/our_university/publications/annual_reports

QoN: Senator the Hon. Jacinta Collins

1. What is your assessment of the impact of the cuts in this bill to your university over the next four years?

ACU will suffer the greatest cut to Commonwealth Grant Scheme (CGS) funding of all universities, as a proportion of total revenue, if the Bill is passed. Based on the latest figures (2015), the CGS constitutes 44.6 per cent of ACU's overall revenue. A cut to CGS funding hits hardest universities such as ACU, which do the most 'heavy lifting' in terms of the admission of low-SES and disadvantaged students.

ACU has exercised conservative and prudent financial management since the introduction of the demand driven system that will allow it to continue its core activities. Budget revisions for 2018 and beyond, however, show that staff numbers, plans for new learning and teaching infrastructure and student support services will all be negatively affected as a result of these cuts.

2. Can Professor Craven elaborate on his characterisation of the Ministerial discretion provided in this bill, particularly related to the performance funding measure, and the postgraduate funding scheme?

As drafted, the Bill provides virtually unlimited discretion to the Minister – via the CGS Guidelines – in relation to the following critical matters:

- a) *The conditions universities will be required to meet to receive their performance-contingent funds.* The Bill, as it stands, leaves too much discretion with the Minister, who is able to change the performance metrics criteria that must be met by universities from year to year and to cut vital university funding in this manner.
- b) *The criteria used to assess the eligibility of students for 'merit-based' postgraduate scholarships and the process for awarding such scholarships.* The Bill leaves significant decisions to be determined at the discretion of the Minister, particularly which postgraduate courses will fall within the scholarship scheme, and the criteria upon which student eligibility will be determined.
- c) *The criteria used to determine whether sub-bachelor courses will be eligible for demand-driven Commonwealth supported places.* The Bill provides virtually unlimited discretion to the Minister to determine which sub-bachelor courses will be 'approved' and therefore eligible for demand driven funding.

ACU is particularly concerned about the proposed ministerial discretion involved in making an extremely large proportion of universities' funding contingent on completely unspecified performance metrics. This is of particular concern in view of the danger and uncertainty it poses to universities' operating budgets.

The complete absence of restrictions on ministerial discretion should be of similarly grave concern to the Senate in its constitutional capacity as a house of review. If the Government has performance criteria, then these should be clearly set out in legislation, and allowed to come to the Senate in a proper way. The Bill, as it stands, leaves too much discretion with the Minister, who is able to change the performance metrics criteria that must be met by universities from year to year and to cut vital university funding in this manner.

ACU therefore calls on the Senate to reject these provisions, pending greater clarity and detail, or, at the very least, to place clear restrictions on the discretionary power provided to the Minister.

3. Can the ACU provide some further analysis of the impact CGS cuts will have on certain universities?

The Bill proposes a 5 per cent ('efficiency' dividend) cut to critical CGS funding, combined with the proposal to make 7.5 per cent of funding contingent on universities meeting unknown performance requirements. Therefore, each university faces a potential CGS funding cut of up to 12.5 per cent from 2019.

Financial Impact on the Sector

- On the most recent figures (2015¹), almost one-quarter of all Australian universities would be in deficit if subjected to a 12.5 per cent funding cut (including one Group of Eight university).² Even without any cut, five institutions were already operating at a deficit (net loss) in 2015.³
- The impact of the CGS cuts will be highly uneven across the university sector, and they disproportionately affect universities that admit a greater proportion of low-SES students. This imbalance stems from the fact that universities that are more reliant on CGS funding (as a proportion of their total revenue) tend to enrol a larger share of students from a low socioeconomic background. These are universities that cannot rely on wealthy benefactors and large cohorts of international students, for example, to make up lost income.
- Universities in regional Australia will feel an impact up to three times greater than some of their metropolitan counterparts. To illustrate, the data shows that regional-based universities University of Southern Queensland and Charles Sturt University are around three times more dependent on CGS funding – and will therefore be penalised much more severely – than The University of Melbourne and The University of Sydney. ACU's submission to the present Senate Inquiry provides a breakdown of CGS Revenue as a percentage of total revenue by University (see Attachment A).

Impact on Higher Education, Campuses and Communities

The likely effects of the CGS cuts proposed in the Bill include:

- a) Cuts to services that are costly to maintain – to the detriment of students, communities, and the quality of higher education in Australia.
- b) Universities being forced to:
 - close regional campuses, which are often unprofitable;
 - terminate unprofitable courses or subjects (such as Asian languages and science/technology), many of which have broader social or national interest value; and/or
 - reduce student support services, including for disadvantaged students.
- c) A stalling, or even reversal, of the progress that has been made under the demand driven funding system to open up access to a university education for a greater number of Australians, especially those from disadvantaged backgrounds.

4. What is the impact of the cuts in this bill on ACU, over the forward estimates?

ACU has exercised conservative and prudent financial management since the introduction of the demand driven system, which will allow it to continue its core activities. However, Budget revisions for 2018 and beyond under the proposed reforms show that staff numbers, plans for new learning and teaching infrastructure and student support services will all be negatively affected if the Bill passes.

ACU is one of Australia's younger universities (established 1991) and has a distinct student cohort, which limits its capacity to draw upon alumni donations and high value sponsorships; the majority of ACU's graduates are nurses and teachers who are typically on modest incomes, and key stakeholders and networks include the public health and education sectors.

Significantly, ACU is Australia's largest educator of nurses and teachers, providing critical elements of Australia's future workforce. ACU is therefore concerned that cuts to core funding of the magnitude

¹ Department of Education and Training, *Finance 2015: Financial Reports of Higher Education Providers* (2016).

² They are: Southern Cross University, Victoria University, Murdoch University, Charles Darwin University, Federation University Australia, Swinburne University of Technology, The University of Queensland, Flinders University, The University of Tasmania and Batchelor Institute of Indigenous Tertiary Education.

³ Southern Cross University, Victoria University, Murdoch University, Charles Darwin University and Batchelor Institute of Indigenous Tertiary Education.

proposed in the Bill could also be expected to have a longer-term impact on the supply of Australia's future health and education workforce.

5. Can ACU elaborate on their view about improvements which could be made to the postgraduate voucher scheme?

Development of the postgraduate voucher scheme (scholarship system) would benefit from the following:

- Scholarships should be offered on a transparent, consistent, and non-convoluted basis with a focus on:
 - courses that offer a high community benefit and low personal return, such as teaching and nursing;
 - places for skills-deepening qualifications e.g. STEM courses;
 - areas of workforce shortage, such as specialist nursing qualifications, psychology, and specialist education courses in design and technology, languages and measurement and assessment; and
 - ensuring that, where courses are selected to be eligible for a postgraduate scholarship, all similar courses across the country are also equally eligible. This would ensure that the scheme is consistent and fair to all students and providers.
- The scheme should follow (and reflect) extensive consultation with the university sector, particularly with respect to developing and determining course eligibility and selection criteria.
- Universities should be afforded sufficient notice of courses that are eligible for postgraduate scholarships, along with student eligibility criteria.
- Costs associated with administering the scholarships scheme should be kept to a bare minimum for both students and providers.

6. ACU has been critical of the data used to justify cuts, can you elaborate?

The Government has sought to justify its proposal to subject universities to an 'efficiency dividend' based on data from two costings studies undertaken in 2011 and 2016 by Deloitte Access Economics for the Department of Education and Training.⁴ This proposal is based on flawed assumptions and analysis, and does not constitute sound public policy for the following reasons, which are set out in more detail in pages 8-10 of ACU's Submission to the present Senate Inquiry:

- Both costings studies were based on incomplete data.
- Data provided by individual universities was not consistent or even directly comparable (both between individual universities that participated in each study, and between the two studies as a whole).
- The cost of delivery studies only sought to quantify the costs of university teaching and scholarship. Significantly, the existing CGS funding scheme, appropriately, recognises the interdependence between teaching, learning and research; these costs are not easily reflected or apportioned in pure costings studies.
- The studies only encompassed data for single, and disparate, years (2010 and 2015). Ascertaining a clear picture of the cost of delivering higher education requires consideration of data for consecutive years (three or more), and certainly more than one year of data.
- The 2016 study was, in particular, a rushed exercise, and the process was prone to error. ACU formally expressed its concerns to both Deloitte Access Economics and the Department of Education and Training during the study.

7. What is your assessment on the regulatory impact of this bill?

The Bill poses a major threat to equity in Australian education, and will have far-reaching consequences for the quality and international competitiveness of Australia's higher education system. The Bill fundamentally runs counter to the Government's articulated objectives, namely to drive quality and excellence, support

⁴ Formerly the Department of Education, Employment and Workplace Relations (DEEWR).

students and ensure the sustainability of Australia's higher education system. It will undermine, and in many instances reverse, the ongoing project of opening up access to quality university education for a greater number of Australians, particularly for those from disadvantaged backgrounds. The impact of the funding cuts will be highly uneven across the university sector and disproportionately target universities that admit a greater proportion of equity students.

Limits also need to be placed on key matters which the Bill currently delegates to the CGS Guidelines, particularly, the provisions in the Bill which provide virtually unlimited discretion to the executive in relation to the:

- conditions universities will be required to meet to receive their performance-contingent funds;
- criteria used to determine whether sub-bachelor courses will be eligible for demand-driven Commonwealth supported places; and
- criteria used to assess the eligibility of students for 'merit-based' postgraduate scholarships and the process for awarding such scholarships.

ACU urges the Senate to reject the current Bill in its entirety, as any benefits are significantly outweighed by shortcomings. It would be a perverse outcome if, under the banner of improving the 'sustainability' of higher education, the Government's reforms forced some universities to shut their doors.