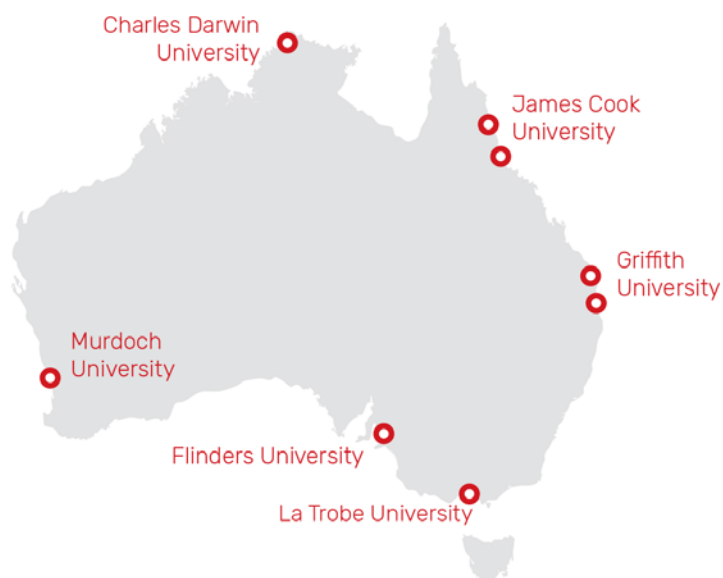




# Students should not pay more for less:

The IRU submission on the *Higher Education Support Legislation Amendment Bill 2017*

At the constructive centre of higher education and research policy in Australia





## Part One: Overview

The IRU opposes the Government's Higher Education Package whose fundamental outcome would be to lessen universities' capacities to educate the students they enrol and undertake research.

The package will harm education and research outcomes through:

- an 'efficiency dividend' cutting the net income from the Commonwealth Grant Scheme and Student Contributions by 2.8%, at a saving for the Commonwealth of 10% off the Commonwealth Grant Scheme (Table One);
- requiring students to pay an additional 7.5% in fees despite the inevitable cuts in services required by the efficiency dividend. Students would be asked to pay more for less; and
- a further 7.5% of the Commonwealth Grant Scheme put at risk every year for each university according to a performance mechanism and metrics that have yet to be described. The quantum at risk is such that it would have catastrophic consequences for individual universities and their enrolled students.

Governments of both sides have supported growth in the number of students, as universities respond to the need for more and more people to have post school qualifications but they have been unwilling to support the quality of that education through a reasonable university resource standard.

Universities have consistently argued that the revenue available for each student severely constrains how well they can educate students. Year by year the effective value of funding is intentionally eroded through the indexation mechanism. Universities do not need an additional efficiency measure when the index has imposed one annually since 1997.

Universities have achieved significant structural change in how they use revenue, tightly constraining recurrent costs, notably staffing, to avoid running down into institutions incapable of meeting future demands. Rather, through determined planning, IRU members ensure future capability, investing in new resources and striving to be at the lead of new education delivery.

The main elements of the package will hinder IRU members doing this, not enhance their capabilities.

The contrast with school funding could not be clearer. The Government focus for schools is to increase funding per student to achieve a reasonable per student resource. Perversely, the proposal is to cut Commonwealth Grant Scheme funding for university students by ten percent – literally to decimate it. These two measures are philosophically incoherent.

There are major uncertainties in the package, where the Bill would set up significant funding mechanisms whose main elements are not known and whose general approach remains untested. The lead cases are:

- the creation of vouchers for post graduate non research courses that seeks to marry a selection of voucher holders based on centrally determined workforce needs with an otherwise fee based, open market, for such courses; and
- the 7.5% performance funding element for the Commonwealth Grant Scheme.

Neither scheme should be legislated when only the broad intent is known but no detail.

### IRU Recommendation

**The IRU recommends that the Senate reject the Government's *Higher Education Support Legislation Amendment Bill 2017*.**



**Table One: Impact of proposed changes to Commonwealth Grant Scheme and Student payments**

For every \$100 of revenue from Commonwealth Grant Scheme and students.

	2017	2018	2019	2020	2021
<b>Government CGS</b>					
Base from previous year	\$58.00	\$58.00	\$55.78	\$53.61	\$52.81
Less student increase		-\$0.77	-\$0.78	-\$0.79	-\$0.81
Efficiency dividend		-\$1.45	-\$1.39	\$0.00	\$0.00
<b>New Total</b>	<b>\$58.00</b>	<b>\$55.78</b>	<b>\$53.61</b>	<b>\$52.81</b>	<b>\$52.01</b>
Loss		-\$2.22	-\$4.39	-\$5.19	-\$5.99
Percentage change from 2017		<b>-3.8%</b>	<b>-7.6%</b>	<b>-8.9%</b>	<b>-10.3%</b>
<b>Student</b>					
Base from previous year	\$42.00	\$42.00	\$42.77	\$43.55	\$44.34
1.824% increase		\$0.77	\$0.78	\$0.79	\$0.81
<b>New total</b>	<b>\$42.00</b>	<b>\$42.77</b>	<b>\$43.55</b>	<b>\$44.34</b>	<b>\$45.15</b>
Gain		\$0.77	\$1.55	\$2.34	\$3.15
Percentage change from 2017		<b>1.8%</b>	<b>3.7%</b>	<b>5.6%</b>	<b>7.5%</b>
<b>University revenue</b>	\$100.00	\$98.55	\$97.16	\$97.16	\$97.16
Loss		-\$1.45	-\$2.84	-\$2.84	-\$2.84
Percentage change from 2017		<b>-1.5%</b>	<b>-2.8%</b>	<b>-2.8%</b>	<b>-2.8%</b>
Student %	42%	43%	45%	46%	46%
Government %	58%	57%	55%	54%	54%

### Structure of the submission

Part Two of the IRU submission addresses the failure of the Government argument that universities can sustain a drop in revenue without harm to education outcomes.

Part Three considers each measure in the Government Package aligned to the schedules of the *Higher Education Support Legislation Amendment Bill 2017*.

## Part two: Why the Government's case fails

The argument that universities can afford the proposed cuts is simply wrong. Universities do not make profits, but endeavour to create annual surpluses that universities use to invest in the future: to educate the graduates and produce the research our economy will require.

The assertion that universities have been so effective in containing costs and restructuring expenditure in recent years that they should be rewarded with reduced revenue, begs the question whether the Government wants universities to be well run efficient organisations or not.

The Government case fails when considered against:

- the challenges ahead for the future of work, that requires a well skilled Australian workforce capable of responding to the opportunities and threats ahead, many of which are unknown;
- the need for university to plan ahead, using sensible levels of annual surpluses to renew and reinvent;
- the reality of the evidence that universities use well the resources now provided to them;
- the annual efficiency taken by Government when indexing higher education programs;
- the comparison internationally for investment in higher education; and
- the contrasting approach to school funding that rightly seeks to provide a reasonable level of resource per student.

### The challenge ahead

Analyses of the future workforce concur that by 2025 or 2030 many current jobs will not exist or will be very different in nature. Some estimates are that up to half of jobs will be substantially affected. These predictions will have some aspects right but equally will not have seen other changes to come.

The more positive analyses argue that new jobs will emerge, with an emphasis on knowledge worker roles, with worker creativity as the way to have valuable employment for most Australians. This has been the response to previous changes in the way in which we learn and work.

The forces at work include the impact of digital technologies, continued automation of roles with significant levels of repetition, and further integration into world economies both of the immediate Asian region and across the globe.

Universities are central to an effective response to this challenge, just as the doubling of year 12 school completions in the 1980s responding to a previous wave of change. In the future, almost everyone will need a post school qualification, whether higher education or vocational education, with that education well-grounded to serve current and future needs.

Educating a future relevant workforce requires universities to make a step change in their approaches. Australian universities are responding by reinvigorating curriculum in partnership with industry to provide opportunities for students to work across discipline, cultural and geographical boundaries. This requires investment in new approaches and technologies and support for the up skilling of the existing academic workforce.

Business as usual will not cut it for our students. Reducing revenue will hamper effective responses.

The UK leads the world in their approaches to supporting student employability and their success comes off the back of significant commitment from government to work in partnership with universities. This package asks universities to earn back the very funding that allows them to support cutting edge programs and activities that are fundamental to creating graduates equipped to navigate the changing industrial landscape.



Consistent with Australia retaining a focus on high value services and goods, it is high quality higher education that we need, not low cost bare minimum provision.

### **Planning ahead: the need for regular surpluses**

Universities use the funds they have to achieve their objectives, now and into the future. Regular surpluses are one essential requirement for doing this.

Universities generate the funds needed to modernise through annual surpluses that are invested in future services. To generate surpluses, universities have imposed tight efficiencies on the number of staff and ongoing support for students. The last five years stand in contrast to the previous decade for most universities in seeing a sustained redirection of revenue to ensure the future, not just attend to the present. Those efficiencies are being made – that is what the Deloitte report *Cost of delivery of higher education* shows.

It is galling for university success in redirecting scarce recurrent funds to support longer term needs for infrastructure and development to be used as evidence of too much financial health.

The Government's University Finance reports from 2006 to 2015 show that IRU members had an upsurge in annual surplus around 2009 to 2012 associated with the initial expansion in domestic places and Rudd Government economic stimulus measures. Since then surpluses have reduced, to a level needed for future sustainability. Expenditure on depreciation and amortisation grew faster (108%) than other categories, including staffing costs, showing the emphasis on renewing facilities.

There is no ongoing source of capital funding that supports universities to renew the facilities required to provide the education of the future. This includes making university buildings digitally capable. University property plant and equipment was valued at \$44 billion in 2015 [Table 3, *Higher Education Financial Report 2015*], showing the annual investment required for maintenance and renewal.

The Capital Development Pool ceased from 1 January 2012, just as the full operation of demand driven funding began. All universities expanded student numbers, requiring considerable renewal of teaching facilities to meet student needs. It supported small to medium capital projects, with allocations made annually based on university bids. It was a small source providing \$54 million in its final year.

The Education Investment Fund provided large amounts targeted at high profile new buildings, many for major research centres. It was not available to support campus renewal through overhaul of degrading buildings and instillation of modern technologies. Expenditure has now ceased with Government seeking to transfer remaining capital to other purposes.

### **The Deloitte report *Cost of delivery of higher education***

The Government uses the Deloitte report *Cost of delivery of higher education* to claim that universities do not use the funding provided to educate students.

The report is a useful analysis of the information from the participating universities within the constraints set by the Government's directions to the authors. It is crucial to understand that the report makes clear that there are important limits to the conclusions that can be drawn from it, and that no comparison can usefully be made with the 2010 data from the previous study.

Yet despite these clearly expressed limitations, the Government has nonetheless drawn comparisons between the reports in order to claim that there is a case to reduce the overall base revenue universities receive.

A key weakness in the report is to compare estimates of expenditure on teaching with the revenue provided to universities to support education and core research and engagement activity. There is no other Government program that aims to meet the salary costs of academics employed to teach and



research. Rather those programs assume that lead researchers have salaries in place and essential research capability.

The Government recognised this in 2014 when it proposed funding non-university providers at 70% of the full Commonwealth Grant Scheme funding rates.

Hence, teaching costs only should be less than the notional funding per student due to its intended support for other major university tasks and the need to contribute to surpluses for long-term sustainability.

### **An annual efficiency payment: the index for university funding programs**

The proposal for two 'efficiency dividends' in 2018 and 2019 implies that university funding is not subject to regular efficiency savings.

Since 1997, the Government's higher education programs have been indexed each year by a factor intentionally less than the actual increase in universities expenditures.

From 1997 to 2010, the index reflected changes in the minimum wage, a rate that was severely less than the growth in salaries across the economy and the impact of price changes for other purchases.

The replacement index from 2011 was more realistic. It combined the consumer price index with an element for increases in professional salaries discounted by ten percent. As the then Government said: "the new arrangements will still require productivity improvements to contribute to wage increases" (*Jobs, Productivity and fairness*, May 2009, p60).

From 2018 the Government will index higher education programs solely by the consumer price index. It is a savings measure. With this change the index will be lower than previously. The efficiencies are taken, year by year.

### **The international comparison**

The Government argument that it is a high investor in higher education is weak against the international comparison.

The *OECD Education at a Glance 2016*, Figure B2.2 shows that in 2013 Australia is 17<sup>th</sup> of 37 overall for investment in tertiary education at 1.7% of GDP, yet 36<sup>th</sup> for Government investment and 8<sup>th</sup> for private investment (supported by Government loans). Few public university systems match the Australian level of charges.

### **The comparison with school funding**

The Government likes to emphasise that Commonwealth higher education investment since 2009 has grown faster than the general economy. This is true of most years since 1945, given the consistent expansion of the university system. Where would we be if it had not happened?

The IRU strongly supports the need for effective school education. It provides the fundamental learning for future education and training. The commitment to further investment is important. It also shows up the speciousness of the argument about the level of expansion in higher education funding.

Commonwealth school funding has grown since 2009 at even higher rates, with the Government set to increase school funding further. The school population has not notably changed over that period, adjusting only with demographic increase and reduction. By contrast, higher education has expanded its reach to take in a much larger proportion of successive cohorts.

Data published by *The Conversation* (Table Two) shows that higher education shrank from 47% to 39% of Commonwealth funding for schools and higher education combined between 1998-99 and 2015-16. School funding growing 131% over that period compared with 66% for universities.



Similar conclusions comes from comparison of the Parliamentary Budget Office's *2017-18 Budget – charts* figures 35 and 37, in which Commonwealth expenditure for schools triples between 2005-6 and 2020-21 while that for higher education doubles.

**Table Two: Commonwealth expenditure on school and higher education, 1989-99 to 2015-16 (\$b 2016 dollars)**

	1998-99		2015-16		Growth	% growth	% of growth
University	\$6.4b	47%	\$10.6b	39%	\$4.2b	66%	31%
Schools	\$7.1b	53%	\$16.4b	61%	\$9.3b	131%	69%
	\$13.5b	100%	\$27.0b	100%	\$13.5b	100%	100%

## Part three: Measure by measure - assessment of the proposed changes

### Summary response to the proposed measures

#### 1. *Student Fee Increase*

The IRU opposes students paying more for their degrees to universities receiving less funding.

#### 2. *Commonwealth Grant Scheme – student payments offset, efficiency dividend and extended high cost loading*

The IRU:

- opposes the central Commonwealth Grant Scheme cuts; and
- supports extending the medical loading to include units of veterinary science and dentistry.

#### 3. *Performance contingent funding for universities*

IRU opposes the proposal as developed for putting too much funding at risk for modest return on university outcomes.

A smaller targeted performance-funding element could provide a useful incentive, built around university by university targets.

#### 4. *Scholarship system for postgraduate coursework places*

The IRU:

- does not support amending the Act for a voucher scholarship scheme until the main elements of how it will operate are known and deemed suitable;
- opposes the extension of funded places to all higher education providers the Minister approves under HESA; and
- does not oppose the Government lowering the 2018 allocation of post-graduate coursework places for universities that have not been able to use allocated places in recent years.

#### 5. *New arrangements for sub-bachelor courses*

The IRU supports the extension of demand driven funding to sub-bachelor qualifications.

#### 6. *New arrangements for enabling courses*

The IRU

- opposes the conversion of the enabling loading into a student payment;
- supports a rolling competitive process to have places allocated to avoid the current ownership of enabling by some universities but the criteria must be clear about a reasonable level of non-progression and certainty of legitimate outcomes; and
- opposes the extension of enabling places to all higher education providers the Minister approves under HESA.

#### 7. *Expansion of support for Work Experience in Industry units*

The IRU supports the proposal.

#### 8. *New schedule of repayment thresholds for the HELP*

The IRU:

- supports the revamp of the HELP repayment thresholds to have a regular sequence of increases tied to steps up in the proportion of income to be paid; and





- is concerned that the proposed first threshold of \$42,000 is too low, with the Government needing to provide a clear rationale for it with an assessment of its impact.

9. *New indexation arrangements for repayment thresholds for the HELP*

The IRU supports the change of index for HELP thresholds.

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

The IRU argues that the change saves Government a small amount at the expense of discriminating against the children of some sets of long-term Australian residents who have not taken out citizenship.

11. *Higher Education Participation and Partnerships Program (HEPPP)*

The IRU supports the changes to the Higher Education Participation and Partnerships Program (HEPPP). These will give long-term certainty through a standard payment per low SES student and remove reporting that hampers creativity in best use of the funds in favour of targeted reporting of major outcomes.

12. *Improved support for regional higher education*

IRU considers the creation of regional study hubs is not a good use of funding, providing a small acknowledgement of the need for better access in many regional areas but in reality doing little to improve it. More serious action is needed to improve both the take up of higher education by Australians living outside the major centres and the feasibility of university delivery in those regions.

13. *Improving the transparency of higher education admissions*

The IRU is working with the Government's Implementation Working Group to meet the Government's expectations as best possible to make clearer the selection processes used in assessing applicants from all backgrounds.

14. *Transparency for teaching and research expenditure by universities*

The IRU supports the need to have better information about university expenditure on the basis that all universities have access to the data set. The proposal highlights the converse development that Government funding information about higher education programs is becoming increasingly harder to find, as shown with the lack of costing provided in releasing the Higher Education Package.

15. *Review of the Australian Qualifications Framework*

The Australian Qualifications Framework (AQF) should be more able to respond to and recognise the development of new qualification options. The review of the AQF should address how it supports the development of qualifications, not just adherence to current interpretations, confronting the tension between being a formal legal requirement yet necessarily a lagging descriptor.

16. *Review of the Higher Education Provider Category Standards*

The review should explore the rationale for the suite of categories currently defined.

17. *Quality in higher education learning and teaching*

The IRU accept the changes proposed.



## **Schedule One: Costs of Higher Education**

### **1. Student Fee Increase**

The Government proposes that the three maximum student contribution rates will increase each year from 2018 to 2021.

- The increase each year from 2018 to 2021 is to be 1.824% to produce a 7.5% increase by 2021.
- The proposal will affect all students who access a Commonwealth Supported Place from 2018. This will be the first time that increases to the maximum student contributions have not applied to new students only.
- A 7.5% increase means an additional \$476, \$679 or \$795 a year in 2017 rates for each of the student contribution bands.

#### **Analysis**

The Government's package offsets all the additional student payments with a reduction in the Commonwealth Grant Scheme, although the Government's Statement neglects to state this.

There is no gain to student education from it. Students simply pay more of the revenue they bring to universities.

To avoid complexity in the debate the Government has avoided any structural change to the three bands of charges but increased each by a common percentage. It has taken a fiscal decision without regard to the rationale for there being three different charging rates and the relationship between them.

IRU has previously argued for a single maximum charge, or steps towards that through raising the lower two maxima but not the highest one. We argue that the charge should be common to encourage students across all fields and to recognise that future outcomes vary person to person, with much debate about future employment opportunities.

#### **IRU Response**

**The IRU opposes students paying more for their degrees to universities receiving less funding.**

### **2. Commonwealth Grant Scheme – student payments offset, efficiency dividend and extended high cost loading**

The Commonwealth Grant Scheme:

- will reduce by about 5.4% to balance the increase of the student payments;
- will be subject to 2.5% efficiency dividend applied in each of 2018 and 2019 – 4.9% off the 2017 level; and
- the existing medical loading of \$1394 per EFTSL in 2017 will be extended to include veterinary science and dentistry units of study from 2018 as the two areas where the Government agrees the cluster funding rate is insufficient.

#### **Analysis**

The Government proposes that universities have less funds to deliver high quality teaching and research, within a funding formula that essentially remains that of the past two decades.



The Government argues that the cuts are needed to ensure sustainability of higher education funding for the longer term. In the previous Parts of the IRU submission, we have set out the impact of the cuts and the weaknesses of the Government assumption that they will not impact significantly on student education or university research.

The Government avoided any of the structural change options put to them over the past year. For example, IRU explored tying a Commonwealth Grant Scheme reduction to a proportion of additional student payments up to set caps. This approach would increase total investment in student education while providing some savings to Government.

The Government avoided simplifying the funding bands from 8 to 5 which could be done with no major impact to Government or university.

### **IRU Response**

#### **The IRU:**

- **opposes the central Commonwealth Grant Scheme cuts; and**
- **supports extending the medical loading to include units of veterinary science and dentistry.**



## **Schedule 2 Commonwealth Grant Scheme**

### **3. Performance contingent funding for universities**

- From 1 January 2018, there will be a performance-based element to the Commonwealth Grant Scheme, worth 7.5% of each university's total Commonwealth Grant Scheme cluster funding, creating a total pool each year of around \$500 million. Commonwealth Grant Scheme loadings are not included in determining the funds at risk.
- Funding will be contingent on the university meeting performance requirements set university by university but consistent with national areas of focus.
- The performance assessment and distribution mechanism detail of the scheme are to be worked out with the sector during the rest of 2017.
- For 2018 funding, universities will be required to participate during 2017 in the reform of admissions information and cost of teaching and research transparency initiatives. These are an activity commitment that allows the system to be in place formally in 2018.
- From 2019, the funding will be linked to university performance metrics, the detail of which remains to be agreed.
- Any unused (that is where targets are not met) funds will be redistributed among the remaining recipients, meaning funding to the sector will not be reduced.

### **Analysis**

#### ***Overview***

The IRU opposes the 7.5% performance funding proposal.

- The quantum at risk is unnecessarily large, with each university facing a potential cut in Commonwealth Grant Scheme of 18% from the combination of the performance funding element with the efficiency dividend and the offset for student payments.
- It is unclear what performance issue(s) the Government is seeking to address.
- A system that redistributes performance funding among universities creates winners and losers that punishes students unfairly. The impact on the students who had, in all good faith, chosen to enrol with that university could be enormous.
- It would induce a competitive climate that creates disincentives for universities to share good practice, to the detriment of the sector at large, and incentives to focus at meeting targets over improving the underlying student outcomes.

The IRU remains open to a performance funding element that is:

- proportionate in size, to avoid substantial swings in funding year to year;
- based on a transparent process using metrics that are clearly described and understood; and
- that does not punish cohorts of current and future students based on historical outcomes.

#### ***Impact on education outcomes***

IRU strongly supports the need for universities to be responsible for good student outcomes, and subject to consumer pressures to do so.

The creation of a performance-funding element has to be in balance with the other ways in which student decisions and education outcomes drive university revenue.



The introduction of demand driven funding meant not only could universities enrol additional students but equally that students choose university and course based on their assessments of the value to them. Now that the initial backlog of demand has been met this puts pressure on universities to ensure students receive the education they need.

To support student understanding of each university the QILT website and the continued release of measures of universities both by Government and commercial bodies like the Good University Guide all add to the focus on finding the right university for person and then gaining the best education.

Where potential students avoid a university or courses within each university this creates a financial pressure but one that operates initially with a moderate impact that does not make outcomes even worse for existing students.

Concerted action to address known problems will produce results. The [Completion Rates of Higher Education Students- Cohort Analysis, 2005-2014](#) shows that first year retention improved over the past decade consistent with the efforts universities made to target this crucial stage in student progression. The study shows the need to continue that work to retain more students into later years. Yet, if too much hangs on such results, the risks of undesirable practice is clear.

### ***Funding uncertainty***

Putting 7.5% of Commonwealth Grant Scheme funding at risk annually substantially adds to uncertainty in university planning and budgets with flow on to all university operations, notably staffing and the capacity to invest in longer term developments.

The proposal would mean that late in each year a university will learn its performance funding for the following year, with no confidence year to year of success. One off lumps of revenue, while better than no revenue, are difficult to use to improve ongoing operations since there is little confidence in a regular flow of further funds to support the change.

University budgets comprise many elements some of which are highly subject to annual fluctuation and others that are more stable, notably Commonwealth Grant Scheme and Research Block Funding programs. The stable elements allow universities to maintain operations and plan longer term.

Transforming some of the Commonwealth Grant Scheme into a performance tied allocation reduces the stable funding that universities can rely on. Further, in contrast to attracting fee-paying students, whether Australian or international, and winning research funding from Government and industry, performance results could change significantly year to year due to minor fluctuations in performance markers.

### ***The indicators***

The Minister has been clear that the targets will be set university by university. This is important to allow for a real judgement about the university, avoiding the problem of so many individual factors for each university that prevent use of common targets. It also sidesteps the complicated, and ultimately futile, attempt used with the Learning and Teaching Performance Fund of the late 2000s to adjust metrics for student characteristics.

It is important that the indicators tie to current actions in a university such as student education outcomes and student perceptions.

In contrast, it is reasonable to publish information about graduate outcomes for employment and salary but is not sensible to use those to drive funding. The outcomes of a graduate once established or not in the workforce relate back five to ten years to the higher education received.

### ***Legislating in absence of program details***

The Bill would put in place the performance funding elements with the performance assessment and distribution mechanism essentially unknown.

#### **IRU Response**

**IRU opposes the proposal as developed for putting too much funding at risk for modest return on university outcomes.**

**A smaller targeted performance-funding element could provide a useful incentive, built around university by university targets.**

#### **4. Scholarship system for postgraduate coursework places**

- From 1 January 2018, the Government will reduce the current allocation of postgraduate CSPs by around 3000 places in line with current under use of allocations.
- From 2019 students will be provided with a voucher called a ‘scholarship’ to the value of a CSP that they may use at an institution of their choice. Such scholarships may be used at any university or non-university higher education provider approved under HESA.
  - This does not extend to medical student places.
- No detail on how students would be selected for a scholarship. Selection is to target national priorities.
- Requirements will be placed on institutions to ensure scholarship holders are not turned away by institutions in favour of full-fee paying students.
- Providers can opt out of accepting scholarship holders – this appears to be a whole of institution decision.
- Students who commenced in, or accepted an offer of, a postgraduate CSP before the policy was announced will continue to have access to a CSP while they finish their course.
- Students who commence in a postgraduate CSP from the date of the policy announcement to the end of 2018 will be able to continue in their CSP until the end of 2018. After this, they would need to be in receipt of a scholarship to continue to study in a Commonwealth supported place.

#### **Analysis**

This is the most complicated measure in the package with many potential challenges and a fundamental shift in policy.

The current arrangements for allocating postgraduate coursework places needs a thorough change, with the allocations reflecting past histories producing considerable variations in use that disadvantages students at some universities and privileges those at others.

#### ***The policy shift***

A voucher based payment usable at any eligible higher education provider harks back to the West report of 1998 which wanted to use a voucher for undergraduate funded places. It is unusual in not having a fee competitive aspect – providers would compete on their willingness to offer the student a place with Commonwealth Grant Scheme plus student contribution revenue. Providers would also retain fee-paying places, with the fee most likely higher than the value of the voucher-scholarship.



The contrast with demand driven funding for undergraduate places at universities is that the Government leaves it to the university to determine whether interested students are suitable for the course. In this proposal the Government somehow will identify which postgraduate students receive a voucher and hence which have to pay the full fee.

### ***Selecting scholarship holders: the student process***

The greatest uncertainty of the proposal is how the Government would determine who receives a voucher-scholarship. The Government is proposing a body outside of the Department have the role to determine who receives a scholarship.

The process could involve some 30,000 to 40,000 scholarships for commencing and continuing students. In 2015, there were 91,000 commencing masters by coursework and other PG domestic students. If the Government does not exclude some disciplines or degrees from eligibility, all of these students could potentially seek a scholarship.

Postgraduate programs can begin all across the year. The scholarship process would need to be rolling.

### ***Which providers?***

The Bill propose that all currently Commonwealth approved providers could receive a scholarship student. In addition to the universities, this covers the set of providers whose students can access FEE-HELP, a large number.

The requirement to accept a scholarship holder who approaches the provider could encourage some to opt out of the system overall to avoid losing places in high fee courses to students with a lower Commonwealth funded voucher. This may depend on how the Government prioritises disciplines.

Universities recognise the breadth of higher education providers and the strong competition for postgraduate students in a fee based market.

The postgraduate market for Commonwealth supported places concentrates at courses with greater social value in providing the higher level qualifications now needed to practice in many health, education and social service fields. Opening up those courses to additional providers without increasing the number of funded places will put at risk current courses rather than improve the opportunities for interested students.

### ***Impact for universities and other providers***

It is very difficult for universities to respond to the proposed system without much more information about the basis on which students will or will not be allocated a scholarship. Every postgraduate course is subject to university decisions about the preferred mix of funded students and fee-paying students. Courses can be solely for funded students, for fee-paying students only, or a mixture. Where there is a mixture the basis on which a student is allocated a funded or a fee paying place is often opaque.

### ***Integrated bachelor and masters***

Most universities have some integrated programs combining undergraduate study with a follow on postgraduate professional degree that confers the capacity to practice. This creates two challenges.

First, the Bill would redefine the status of these arrangements to consider the whole dual course as a postgraduate course and hence only funded via a voucher-scholarship. It is not clear that the Government intends this but it would be a major alteration and be essentially misleading.

Second, universities now can commit a funded place for students who successfully complete the undergraduate program. That would no longer be possible without a commitment from the scholarship allocator that students wishing to complete the second part of the combined course will

receive a scholarship. Again, the lack of any understanding about how scholarships will be allocated shows the folly of legislating for it so far in advance.

### ***Legislating in absence of program details***

The Bill would put in place the voucher scholarship arrangements with the selection mechanism essentially unknown.

### **IRU Response**

#### **The IRU:**

- **does not support amending the Act for a voucher scholarship scheme until the main elements of how it will operate are known and deemed suitable;**
- **opposes the extension of funded places to all higher education providers the Minister approves under HESA; and**
- **does not oppose the Government lowering the 2018 allocation of Postgraduate coursework places for universities that have not been able to use allocated places in recent years.**

### **5. New arrangements for sub-bachelor courses**

- The demand driven funding system will be expanded to include Commonwealth Supported Places in approved sub-bachelor level diploma, advanced diploma and associate degree courses at Table A universities from 1 January 2018.
- To be eligible, the student must not have completed another HE qualification.
- The course must have been developed with a focus on industry needs and fully articulate into related bachelor programs. This is to give industry more input to curriculum design to improve the job-readiness of graduates.
- Current arrangements will continue to apply for existing students who are enrolled before 1 January 2018.

### **Analysis**

IRU has argued for restoration of sub-bachelor places to the demand driven arrangements. The measure essentially does that.

The criteria for an acceptable program should be feasible for universities to demonstrate. The current emphasis on improving industry involvement will be strengthened. Ministerial approval of a course could prove cumbersome, with universities needing this in place as early as possible for 2018 programs.

Potential issues include:

- there may be some unusual cases where those with an existing qualification want to enroll in a sub-bachelor program as the most suitable option for them. The Government rationale appears to be that such people ought to enroll in a full degree program. It is not clear whether such applicants are simply ineligible or could be enrolled on a fee paying basis; and
- the impact on language diplomas, which universities offer to students whose degree programs do not permit study of a language. Without this option, the study of language at university is primarily limited to students of arts and social science degrees. These qualifications should be AQF level 7 since they are bachelor level units. It is a failure of the last reworking of the Australian Qualifications Framework that notionally moved to allow more than one





qualification at a given level distinguished by the number of units not the level of skill required. The coming AQF Review (see point 15 below) should address this to create a place for language diplomas distinct from the sub-bachelor qualifications.

## **IRU Response**

**The IRU supports the extension of demand driven funding to sub-bachelor qualifications.**

### **6. New arrangements for enabling courses**

- The Commonwealth will abolish the loading on enabling places from 1 January 2018 and replace the loading with an equivalent maximum student contribution rate of \$3271, roughly half the lowest undergraduate student payment.
- From 1 January 2019, a fixed number of enabling places will be allocated through a cyclical 3 year competitive tender. All HESA approved higher education providers would be eligible.
- The intent is to identify those HE providers, universities or non-university providers, which achieve high standards of academic preparation and deliver high quality student outcomes, for example, measured by student completion rates or student success in further study.

### **Analysis**

The enabling arrangements involve several significant changes and risks, most importantly that students would now pay.

The overall rationale is that success from enabling is mixed, with a high proportion (48% is cited) not continuing on to further study. Since enabling programs are intended to test suitability as well as improve readiness for further study, it is likely that some students will not go on to further study. This is consistent with good judgment by both student and provider.

### ***Charging students:***

Enabling programs are designed to bring applicants with potential for study, but who are underprepared, into the world of study, giving them the assurance that they can realistically enroll in a qualification. It also serves to show some that enrolment is not suitable, without major cost.

The requirement to pay or incur HECS-HELP could deter likely students, since many will not be confident of a positive outcome. Universities could minimize this through breaking the program, and hence charge, into modules.

### ***Provider eligibility***

The base issue of extending a diminished amount of Government funding to a wider set of providers is discussed above for the postgraduate scholarships.

Given the clientele, there is a major need to watch for operators driven by financial opportunities. The tender process will need to be very confident before offering places to any new providers. As a non AQF delivery there is limited TEQSA scrutiny of enabling programs which is a source of potential risk should places be widely allocated.



## **IRU Response**

### **The IRU:**

- **opposes the conversion of the enabling loading into a student payment;**
- **supports a rolling competitive process to have places allocated to avoid the current ownership of enabling by some universities but the criteria must be clear about a reasonable level of non-progression and certainty of legitimate outcomes; and**
- **opposes the extension of enabling places to all higher education providers the Minister approves under HESA.**

## **7. Expansion of support for Work Experience in Industry units**

- From 1 January 2018, Commonwealth contributions will be provided for units with Work Experience in Industry up to limit of one-sixth of a student's total full-time study load for the degree.
- The amount of the contribution will be the same as that for other Commonwealth supported units, based on the discipline of the unit.

### **Analysis**

Over the past decade universities have integrated work experience into most courses. The proposal is a useful change that puts a bit more money behind work integrated learning opportunities, emphasizing that these involve learning activities within a work context.

Universities will need to put in place some system checks to ensure students do not exceed the allowed load.

## **IRU Response**

**The IRU supports the proposal.**

## Schedule 3 Higher Education Loans Program

### 8. New schedule of repayment thresholds for the HELP

- A new set of repayment thresholds will be introduced from 1 July 2018, affecting all those with a current and future HELP balance to pay.
- Currently, HELP is repaid when annual incomes reach \$55,874 (in 2017–18), with repayments of 4% of their repayment income, rising to 8% for people with incomes above \$101,900. For 2018-19 this is already set to change with a new lower 2% threshold to apply from \$51,957.
- The proposed minimum repayment threshold is \$42,000 with a 1% repayment rate, and a maximum threshold of \$119,882 with a repayment rate of 10%. Each progressive threshold is set at 6% higher than the preceding threshold, while repayment rates increase in 0.5% increments.
- Applies to all HELP loans (HECS-HELP, FEE-HELP, VET FEE-HELP, VET Student Loans, OS-HELP and SA-HELP).
- According to analysis by the ATO, an estimated additional 183,000 debtors will be brought into the repayment stream in 2018–19 as a result of the new set of repayment thresholds.

#### Analysis

There is considerable hyperbole about the significance of the HELP balances Australians hold. The critical question is how much each individual has to pay, not how much in total is outstanding. It is the size of the individual balance that drives how long it takes to repay or whether it will be repaid. 100,000 balances of \$10,000 are much more likely to be paid than 10,000 balances of \$100,000, although both represent a total outstanding balance of \$1 billion.

As student charges have risen, the role of HECS has transformed from a contribution to a loan and hence debt that should be repaid to maintain moral standing. It is useful to remember that HECS-HELP serves to reduce Government expenditure on higher education, replacing previously grant funding. Any level of repayment is a fiscal improvement compared with a grant payment.

The IRU has previously challenged the Parliamentary Budget Office's assessment of the cost of the HELP program to Government. See [Four questions for the Parliamentary Budget Office on the true cost of HECS-HELP](#) and [Three problems with the Supplementary Report on HELP from the Parliamentary Budget Office](#) centred on its assumption that all the funding for HELP is necessarily borrowed by Government while Government direct funding uses taxation revenue.

Nevertheless, it is important that there be a reasonable relationship between using HECS-HELP to underpin student contributions to their education and a repayment regime that sees much of the money paid.

The conceptual change of a graduated increase from 1% to 10% at regular intervals puts the schedule onto a more rationale basis. The question is the whether the first threshold is too low.

IRU supported tightening of the repayment regime to reduce the pressure on HELP. The proposed thresholds would return the minimum threshold to a point similar to that between 1997-98 and 2003-04. The repayment rate was then 3% of income. It represents a harsh approach to when HELP should be repaid but the 1% threshold minimises the impact it would have.

There is considerable debate about the impact on former students. We need to balance the value of some repayment, which holds down the long-term balance that is indexed each year, against the impact on an individual's capacity to meet living costs. More women with HELP balances are in the



\$42,000 to \$51,000 income range who would be caught by the proposed new bottom threshold. The interaction with other factors in the life cycle following graduation such as housing, also need clearer analysis.

Taken together there is a need for the Government to provide a clear rationale for the lower threshold with an analysis of its impact on those earning in the income range to be included.

### **IRU Response**

#### **The IRU:**

- **supports the revamp of the HELP repayment thresholds to have a regular sequence of increases tied to steps up in the proportion of income to be paid; and**
- **is concerned that the proposed first threshold of \$42,000 is too low, with the Government needing to provide a clear rationale for it with an assessment of its impact.**

### **9. New indexation arrangements for repayment thresholds for the HELP**

- From 1 July 2019 the indexation of Higher Education Loan Program (HELP) repayment thresholds, currently linked to Average Weekly Earnings (AWE), will be changed to align to the Consumer Price Index (CPI).
- Growth in AWE has typically been faster than CPI. Had the minimum threshold been linked to CPI instead of AWE, the 2015–16 minimum threshold of \$54,126 would instead be \$46,457.

#### **Analysis**

The change from Average Weekly Wages to the Consumer Price Index as the basis for annual changes to the repayment thresholds mimics the index applied to increase the student contribution rates. In the current period of low wage growth the change may advantage those with HELP balances. If wage growth returns to previous levels the additional income ought to cover the slightly higher level of repayments.

### **IRU Response**

**The IRU supports the change of index for HELP thresholds.**

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

- From 1 January 2018, subsidies for most Australian permanent residents and most New Zealand (NZ) citizens enrolling in a Commonwealth Supported Place (CSP) will be withdrawn, making them fee-paying students.
- This proposal will not affect the 20,000 or so Australian permanent residents and NZ citizens EFTSL who are currently enrolled.

#### **Analysis**

The current funding arrangements for Permanent residents and NZ citizens allows them to be funded by the Government but to pay upfront their student contribution of between \$6561 and \$10,951 (proposed 2018 rates). They cannot use HECS-HELP on the basis that it is less certain they will remain in Australia to repay over coming years.

The Government proposal reverses this position by removing the Government subsidy but giving access to HELP, accepting the risk that some will not stay in Australia. It is a good example of how use



of HELP reduces Government expenditure in reality, despite long-term accounting assessments of the cost.

The Government Statement includes examples where the charge for such students is set to the sum of the Commonwealth Grant Scheme and student contribution for the unit of study. There is no limit. These students are now fee-paying students with access to FEE-HELP. Even if universities choose to recoup only the Commonwealth Grant Scheme funding that means that in 2018 these student would pay between \$12,165 and \$33,437.

In 2015, IRU members enrolled nearly 4,000 full time equivalent students who were permanent residents or New Zealand citizens. Universities overall enrolled over 16,700. 36% of the IRU Students were in health fields, ones where the Government subsidy is high creating a considerable charge for their student to pay the whole revenue universities expect to receive.

At the same time, several thousand Australian students study in New Zealand, which raises the potential for the arrangements for them to alter as well.

**Table Three: Full time equivalent New Zealand and Permanent Resident students, 2015**

Field of Education	IRU		All Universities	
	EFTSL	%	EFTSL	%
Agriculture, Environmental and Related Studies	31.0	0.8%	102.8	0.6%
Architecture and Building	22.8	0.6%	125.9	0.8%
Creative Arts	243.4	6.1%	1,012.8	6.1%
Education	276.5	6.9%	929.7	5.6%
Engineering and Related Technologies	203.2	5.1%	1,119.6	6.7%
Health	1,441.1	36.0%	4,724.0	28.2%
Information Technology	106.4	2.7%	445.5	2.7%
Management and Commerce	594.5	14.9%	3,431.4	20.5%
Natural and Physical Sciences	400.6	10.0%	2,643.1	15.8%
Society and Culture	676.1	16.9%	2,199.7	13.1%
Total	3,998.4	99.9%	16,734.5	100.0%

Source: Extracted by CDU from Department of Education and Training higher education data base

**IRU Response**

**The IRU argues that the change saves Government a small amount at the expense of discriminating against the children of some sets of long-term Australian residents who have not taken out citizenship.**



## Schedule 4 Other Grants

### 11. Higher Education Participation and Partnerships Program (HEPPP)

- From 1 January 2018, the Government will split HEPPP into two components: Access and Participation Fund and the National Priorities Pool.
- Access and Participation Fund is
  - a legislated loading of \$985 (indexed) per low SES student to provide funding that is certain. This is a long standing IRU proposal.
  - performance funding (\$13.3 million per year indexed—around 10 per cent of HEPPP funding) tied to improvements in success rates of low SES and Indigenous students.
- The National Priorities Pool will be an allocation of \$9.5 million per year (indexed) with a greater focus on rigorous evaluative research and collaboration between universities.

#### Analysis

The HEPPP is the result of the Bradley review and the following Gillard suite of changes to higher education funding. While often considered a program to support particular activity, as initially proposed HEPPP is an incentive program to reduce the imbalance in who accesses higher education. This is set out in the IRU response to the recent HEPPP evaluation [Improving equity in higher education participation](#).

The Government’s proposals respond to the IRU argument that it should honour the Bradley review intent to provide a loading per low SES student as an incentive to redress the imbalance in who attends university, creating the incentive for universities to improve the balance of students without unnecessary input controls.

The need for action is clear.

The data from the Longitudinal study of Australian Youth shows the uptake of post school education across the different SES quintiles. Quintile 1 is the poorest; quintile 5 the richest. Higher education in Australia uses quartiles, preventing a precise comparison.

Using the 2006 Cohort who mostly completed school in 2008 and were able to commence university from 2009, we can see the level of completion of either higher education or VET qualification by 2015. The data uses highest qualification so if someone holds both they are put in the HE group. Table Four shows the considerable variation in likelihood of completing a HE qualification, rising strongly upwards with SES standing; and the contrasting drop in VET completions.

**Table Four: Completion of Higher Education and Vocation Education by Socio-Economic background**

LSAY Cohort 2006 Wave 10 (2015) Highest completed qualification		Q1 - poorest	Q2	Q3 - median	Q4	Q5- richest	All
No	Post						
School		32.9%	27.1%	22.6%	16.2%	20.0%	23.6%
VET		44.2%	43.8%	39.4%	31.7%	16.2%	34.8%
HE		22.9%	29.1%	38.0%	52.0%	63.8%	41.6%
ALL		20.2%	18.1%	19.5%	22.2%	20.0%	100%



The current HEPPP discussion reminds that the low SES quartile is a marker, with the second quartile also an issue. Universities cannot only focus on students from the lowest SES areas but must look to ensure they are able to support any and all students who come to them.

So far, through the combination of demand driven funding and the additional support through HEPPP IRU members have led a significant increase in low SES enrolments. See [Impact of more students at university – Part 2](#).

Since 2012, the proportion of low SES students has been higher than any point earlier in the century, reaching 17.7% in 2015. Of the extra 149,024 undergraduate students between 2010 and 2015, 33,832 (23%) are low SES, almost at the point the parity. If current growth continues low SES enrolment could reach 20% by 2020 – still short of the benchmark of 25% but a notable change.

IRU members have been crucial to the growth in low SES student numbers. Consistent with our commitment to inclusive education, IRU members focus on encouraging students from all backgrounds with well-designed programs to attract and support them.

Between 2010 and 2015 IRU members enrolled an additional 15,412 Australian undergraduate students 5,759 (37%) of whom are low SES. This has raised the proportion of low SES students in IRU members from 18% to 21%. Members of the Regional University Network and other universities located outside the inner cities have also had strong growth in the number and proportion of low SES students.

The forward estimates for HEPPP compared with those in the 2016 Budget make clear that HEPPP funding avoids the worst of the 2016 budget cut with funding set to rise from 2019. Total funding is comparable with previous planned levels. The fixed rate per eligible student should allow the whole program to increase, assuming enrolments continue to grow.

The performance element is calculated distinct from the loading. It is proposed to be based on university by university improvement in the 'success rate' of low SES and Aboriginal and Torres Strait Islander students. Success rate is the proportion of units which students pass. In most universities the success rate for low SES students is slightly lower than for all students and the rate for Aboriginal and Torres Strait Islander students lower again.

The Bill legislates the changes through a new HEPPP division, separate from the current Other Grant funding base. The proposed Guidelines reflect well the IRU argument for Government to focus on the achievement of more equal access to and completion of higher education, without second guessing how universities achieve this.

The one concern is that the incentive for universities to each support stimulation of interest in higher education at the early years of school and in other groups in the community may be lost without a specific common requirement for this. The original Bradley Review proposal was for a specific allocation for this purpose. Within the loading approach of the Government the outcome can be achieved through setting a common base commitment to outreach from the funds provided.

### **IRU Response**

**The IRU supports the changes to the Higher Education Participation and Partnerships Program (HEPPP).**

**These will give long term certainty through a standard payment per low SES student and remove reporting that hampers creativity in best use of the funds in favour of targeted reporting of major outcomes.**

## Other elements of the HE Package not requiring legislation

### 12. Improved support for regional higher education

- The Government will commit \$15 million over four years to assist in the establishment and maintenance of up to eight community-owned, regional study hubs across mainland Australia. This is roughly \$500,000 a year per hub.
- These hubs are to support regional students study locally, courses delivered by distance from any Australian university.
- This commitment will provide some support for upfront costs and the fixed costs of operations which do not fit a university funding model based on per student contributions.

### Analysis

The Government needs to address seriously how to provide an equal standard of higher education across all of Australia as that provided in the major cities. This would give potential students serious options for study beyond their immediate home city and encourage greater exploration of opportunities elsewhere.

In contrast to the growth in the number of low SES students and Aboriginal and Torres Strait Islander students, the number of students from regional areas and from remote areas has not kept pace with the expansion in enrolments over the past five years. The number of students has increased but the proportion from regional areas has dropped from 20.4% in 2012 to 20.0% in 2015, and held steady from remote areas at 0.8%.

The package does not address the acknowledged higher costs of regional delivery, which Deloitte has confirmed, nor the need to address the continued drift of students to the cities. Taken together with the lack of improvement in the proportion of such students, this suggests that they need a dedicated program to turn around the position.

It is not clear why “community owned” hubs providing support for distance education is a useful addition to the suite of regional universities serving our nation. Coupled with the STEM scholarships, imply a vision for regional higher education that has the effect of taking the most capable young people to the cities and leaving all others with aspirations for higher education to choose between an underfunded local arm of a university or online delivery supported through hubs.

### IRU Response

**IRU considers the creation of regional study hubs is not a good use of funding, providing a small acknowledgement of the need for better access in many regional areas but in reality doing little to improve it. More serious action is needed to improve both the take up of higher education by Australians living outside the major centres and the feasibility of university delivery in those regions.**



## **Information to improve understanding of higher education**

### **13. Improving the transparency of higher education admissions**

- The Government has accepted all recommendations of the Higher Education Standards Panel (HESP) report, *Improving the Transparency of Higher Education Admissions*.
- The Tertiary Education Quality and Standards Agency (TEQSA) gets \$3.3 million over four years to deliver a joint plan to implement the Panel's recommendations.
- Universities are required to participate in any agreed data provision for 2017 to be eligible for performance funding in 2018.

#### **Analysis**

Universities are working within the Government's requirement for more information about selection processes, presented in a consistent fashion. There are considerable challenges to put in place changes in timeframes the Government desires.

The Government has a tendency to turn to the Standards Panel and now TEQSA as a means of analysis and then enforcement, the latter of which begins to reach beyond a standards assessment focus to become mandated actions.

The additional funds for TEQSA are useful to ensure it can carry through its responsibilities without giving it resource to spare that might lead it to expand beyond its essential functions.

#### **IRU Response**

**The IRU is working with the Government's Implementation Working Group to meet the Government's expectations as best possible to make clearer the selection processes used in assessing applicants from all backgrounds.**

### **14. Transparency for teaching and research expenditure by universities**

- The Government will work with the HE sector to establish a more transparent framework for the collection of financial data from higher education providers to regularly report on the cost of teaching and research by field of education.
- During 2017, the Department of Education and Training will work in consultation with a Universities Australia reference group to establish an annual cost of delivery data collection for a further three years commencing in 2018.
- Once established, the Department of Education and Training will also work with the reference group to identify arrangements for publication of the results on the QILT website.
- Universities are required to participate in any agreed data provision for 2017 to be eligible for performance funding in 2018.

#### **Analysis**

The Government has done two ad hoc financial data analyses targeting expenditure on teaching in 2011 and 2016. It wants a more regular supply of such data, at less cost to it, and with less demand on universities to produce data about previous periods.

The data should cover the full set of university expenditure if it is to be of value, not cover teaching only or research only.



There will be considerable dispute about how to interpret the data as shown by the skewed use of the Deloitte report to support the Higher Education Package. Universities need to have equal access to the data set, through UA as one example, to provide a more rigorous assessment. The data should be released on a regular basis, close to the point of collection.

### **IRU Response**

**The IRU supports the need to have better information about university expenditure on the basis that all universities have access to the data set.**

**The proposal highlights the converse development that Government funding information about higher education programs is becoming increasingly harder to find, as shown with the lack of costing provided in releasing the Higher Education Package.**

### **Structuring higher education**

#### **15. Review of the Australian Qualifications Framework**

- The Government will undertake a review of the Australian Qualifications Framework (AQF) commencing in the second half of 2017, to be completed by 31 December 2018.

#### **Analysis**

The Australian Qualifications Framework (AQF) was introduced in the 1990s to give greater certainty that qualifications of the same name reflected similar learning outcomes and to control the array of qualification titles. This applied most clearly to Vocational Education and Training but had relevance for higher education where additional institutions were gaining approval for qualifications and where there had been a proliferation of post-graduate qualifications.

The risk of the AQF is that it stifles the redevelopment of qualifications for the future. The bachelor degree has a pedigree of many centuries, but it has developed considerably and has done so over past decades. To keep qualifications developing in response to new industries, new jobs, and other different expectations universities need to be supported. An overly prescriptive application of AQF can hinder this: if today's good practice was yesterday's radical idea, it is not clear whether today's radical ideas have room to be tested.

One of the less explicable rigidities of the AQF in its current form is that while structured to cover level of learning and volume (the difficulty of the learning and the amount or period of it) most levels contain a single qualification with a set volume. This hampers universities seeking to use 'diplomas' with bachelor level learning as a standalone specific qualification alongside a bachelor degree (for example a languages diploma with a business degree) or as an exit qualification to recognise successful completion of the early part of a bachelor degree.

The Government's focus is to identify the changes required to link more clearly matriculation standards from senior school to entry standards in higher education and the preparation required for successful completion of higher education courses. The question of whether school systems are sufficiently preparing year 12 students for subsequent higher education is worth opening up.

The review will develop proposed revisions to the AQF for approval by the COAG councils responsible for vocational education and training (VET), higher education and secondary school education.

The review should address how to ensure the AQF develops in line with changes in delivery and the naming and shaping of higher education qualifications. At present universities have little option but to trial change and if successful push for post hoc validation. Against the formal legal requirement to adhere to AQF that is not conducive to useful development.

## **IRU Response**

**The Australian Qualifications Framework (AQF) should be more able to respond to and recognise the development of new qualification options.**

**The review of the AQF should address how it supports the development of qualifications, not just adherence to current interpretations, confronting the tension between being a formal legal requirement yet necessarily a lagging descriptor.**

## **16. Review of the Higher Education Provider Category Standards**

- The Higher Education Standards Panel (HESP) will oversee a review of the Criteria for Higher Education Providers commencing in the second half of 2017 to be completed during the first half of 2018.

### **Analysis**

The categories are a clunky means to create a pathway to the University title that few are likely to follow. The criteria should retain the distinction for the university title of undertaking both teaching and research while letting other providers operate.

There will be a further working over whether there should be a distinctive institutional title for teaching focused institutions. The need for a formal category that could constrain how such institutions develop, rather than encouraging providers to perform, is not obvious.

Only a few providers have taken up the international university category since the last review. It is timely to consider the strength of the rationale for permitting higher education providers to offer qualifications against standards from another country.

### **IRU Response**

**The review should explore the rationale for the suite of categories currently defined.**

## **17. Quality in higher education learning and teaching**

- The Promotion of Excellence in Learning and Teaching in Higher Education (PELTHE) program will cease.
- The administration of the Australian Awards for University Teaching (AAUT) and the Office for Learning and Teaching digital repository will be transferred to Universities Australia.

### **Analysis**

PELTHE is a small Department source for exploring data and quality issues, which has fed into the development of QILT and the performance measures decisions. In the short term, it may make sense to let the program lapse. In the longer term, Ministers need the capacity to develop thinking around key issues of which quality surely remains a priority.

It is good if UA will pick up the teaching awards, which are regarded as a useful stimulus by IRU members.

### **Response**

**The IRU accept the changes proposed.**

8 June 2017