



## Regional Universities Network (RUN)

### Submission to the inquiry into the Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017.

#### Summary

The Regional Universities Network (RUN) does not support the passage of the Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017 (the HESLA Bill).

While too little detail is available for us to be able to model the full impact of the complex suite of reforms on our universities, serious perverse consequences for RUN universities are likely to be associated with such measures. These include: further lowering the participation rate of regional students in higher education; and detrimental economic and social impact in regional Australia.

Regional universities are anchor institutions for their regions. Commonwealth Grant Scheme (CGS) funding contributes to the myriad of ways that our universities provide for our students and communities – we do not receive separate funding for our contribution to regional development. We are more reliant on government funding for teaching and learning than older metropolitan universities. Any cut to the CGS will, therefore, impact relatively more on our universities and on what we can provide for regional students and communities.

The University of New England estimates that impact of the efficiency dividend on the CGS alone will be of the order of \$5.8 million in 2018 and 2019, and the University of the Sunshine Coast estimates it to be at least \$7.5 million in each year. Performance funding will put another \$7.5 million or more at risk per year per institution.

To put this in context, it costs about \$220 million to run a university of approximately 12,000 students for a year.

The reforms may work to further lower the participation rate of regional students in higher education. The proposed increase in student contributions may deter some students, particularly those who are mature age and / or part-time. Students from these groups make up a large proportion of RUN's student cohort.

The decrease of the first threshold for the repayment of student loans from around \$52,000 to \$42,000 is a significant change and will disproportionately affect low income households, which may also be subject to an increased burden under other budget measures (e.g. the Medicare levy). Financial circumstances have been shown to be a major contributor to students dropping out of university.

The proposed changes in the Bill will work against other government initiatives designed to encourage people to live and work in regional Australia. These include regional City Deals, the Regional Jobs and Investment Package, the decentralisation of Government bodies, and the new Regional Growth Fund.

We also question the introduction of more regulation and red tape / reporting and the associated costs of implementation around many of the new measures in the HESLA Bill (e.g. performance funding for the Commonwealth Grant Scheme, and arrangements for distribution of enabling places, and post-graduate coursework places etc.).

Some parts of the package, such as the uncapping of approved sub-bachelor programs which articulate into bachelor awards, and the legislation and reforms of the Higher Education Participation and Partnership Program to assist low SES students succeed at university, are welcome and well thought out.

Other elements, such as the changes to enabling places, Commonwealth supported post-graduate places, and how performance funding will be determined, are unclear.

There should be a transparent, fair, exhaustive and inclusive consultation process on these reforms, and the detail spelt out, prior to their further consideration.

## **Discussion**

Too little detail is known about significant parts of the reform package in the HESLA Bill e.g. performance funding for the Commonwealth Grant Scheme (CGS), post-graduate places, enabling places etc. for RUN universities to be able to address all the complexity and model the impact on our institutions, students and communities.

Our comments on some of the specific measures follows.

### **Efficiency Dividend of 2.5 per cent per annum in 2018 and 2019 under the Commonwealth Grant Scheme (CGS)**

RUN is opposed to the proposed efficiency dividend of 2.5 per cent per annum in each of 2018 and 2019 on our institutions as it will cause considerable damage to the ongoing

capacity of universities, both regional and non-regional, to adequately service their communities. The consequent loss of this capacity will have considerable detrimental economic and social impact across Australia.

Regional universities are anchor institutions for their regions. Commonwealth Grant Scheme (CGS) funding contributes to the myriad of ways that our universities provide for our students and communities. The teaching and learning activities, research and innovation and service functions of regional universities contribute to: human capital development; regional governance and planning; community development; health and ageing; arts, culture and sport; environmental sustainability; and industry and business development in regional Australia. Staff and students play active and visible roles in their communities and contribute to regional capacity building, including internationally. Regional universities are major employers across a wide range of occupations, and purchasers of local goods and services.

Regional universities do not receive separate, regional development funding – therefore, there is added pressure on our CGS funding, compared to that of metropolitan universities, to support many of the activities listed above.

The significant cuts to university funding through the proposed efficiency dividend on the CGS, coupled with other changes associated with other parts of the reform package, will negatively impact on our universities but also on our students and wider stakeholders.

The University of New England estimates that impact of the efficiency dividend alone will be of the order of \$5.8 million in 2018 and 2019, and the University of the Sunshine Coast estimates it to be at least \$7.5 million in each year. Performance funding will put another \$7.5 million or more at risk per year per institution.

To put this in context, it costs about \$220 million to run a university of approximately 12,000 students for a year.

The proposed changes in the Bill will work against other government initiatives designed to develop and encourage people to live and work in regional Australia. These include regional City Deals, the Regional Jobs and Investment Package, the decentralisation of Government bodies, and the new Regional Growth Fund.

Regional universities are, proportionally, more reliant on government funding for teaching and learning (around 40 per cent for RUN members), than older, metropolitan universities (e.g. less than 20 per cent for the Group of Eight). The impact of the CGS efficiency dividend and performance funding will therefore be greater for our universities.

The varying timeframes for the efficiency dividend (2018, 2019) as opposed to the longer timeframe (4 years) over which the student contributions are increased is inconsistent.

### **Performance contingent funding under the Commonwealth Grant Scheme**

We do not support the introduction of performance contingent funding under the CGS as currently outlined as “performance” is not occurring on a level playing field across the sector.

For example, if retention was to be one of the metrics used to measure relative performance, we do not know the mechanism that could take account of the significant differences between students at regional and metropolitan universities. Our research shows that students at regional universities commonly have complex lives and competing priorities. Many of these students are parents, and many have other caring responsibilities. Many need to engage in paid employment whilst studying and experience significant financial pressure. The cost of study materials and travel to university, on top of the usual expenses of living, including sometimes supporting a family while on a reduced income, mean that students may have to make difficult choices about their priorities that other more traditional students do not need to make. This includes withdrawing from studies. Our research shows significant evidence of a phenomenon that is familiar to those who lead and work in regional universities and that is now increasingly evident in the Commonwealth Department of Education and Training statistics – that regional students dip in and out of study and, on average, take longer than metropolitan students to complete their awards.

The current methodology of annually counting commencing students at census date in sequential years, while subtracting those who have completed their programs, ignores those students who may have formally or informally withdrawn, but who may later return to study. It also ignores those who may take only a single unit of study at a time, those who may have periods where no study is undertaken at all, and those who may take the maximum time to complete their qualification.

The potentially perverse consequences resulting from performance measures include further lowering the rate of the participation of regional students in higher education.

The performance of institutions may also be impacted by external economic factors outside their control.

The Tertiary Education Quality Standards Agency (TEQSA) is responsible for ensuring the adequate performance of universities through its re-registration and other processes, and performance funding via the CGS is not necessary.

### **Impact of the reforms to the student loan scheme on students**

We consider that the proposed increase in contributions may deter some students, particularly those who are mature age and/or part-time. Students from these groups make up a large proportion of RUN's student cohort. The decrease of the first threshold for the repayment of student loans from around \$52,000 to \$42,000 is a significant change and will disproportionately affect low income households, which may also be subject to an increased burden under other budget measures (e.g. the Medicare levy). It will impact some students who are both studying and working part time - financial circumstances have been shown to be a major contributor to students dropping out of university.

In addition to the changes to the arrangements for student loans, students will also be negatively impacted by the efficiency dividend on universities which will constrain us in what we can provide.

## **Consultation Process**

A consultation paper was issued as part of Budget 2016, submissions made in mid-2016, and an expert advisory committee formed to work through proposals. There was consultation behind closed doors between the Minister and the sector. The outcome of the process was issued as part of Budget 2017, and presented as a *fait accompli*.

While some of the measures, such as the revised Higher Education Participation and Partnerships Program (HEPPP), have been arrived at via a separate, independent review and submission process (conducted by ACIL Allen), and the detail of the reforms, and their justification and implementation, is relatively clear, the same cannot be said for other parts of the package. This includes the performance funding for the CGS, and how the new arrangements for enabling places and post-graduate places will roll out.

We cannot support the reforms in the current state until there has been an adequate consultation process and the detail is known and understood.

In addition, the introduction of more regulation and red tape / reporting and the associated costs of implementation around many of the new measures (e.g. performance funding for the Commonwealth Grant Scheme, and arrangements for distribution of enabling places, and post-graduate coursework places etc.) is of concern.

## **Timeframe**

Passage of the Bill in August or later this year will be too late for implementation by 1 January 2018. Budgets for the forthcoming year are worked out a few months prior to the end of the year, and enrolments start during the last six months of the preceding year.

If the Bill was passed in its current form, it appears that we wouldn't know the outcome of the performance funding component of the CGS, and the number of enabling and post-graduate places, when budgets are being compiled a few months before the end of the calendar year.

## **Enabling courses**

The new distribution mechanism for the enabling courses appears to be bureaucratic, potentially costly and may not be transparent.

It is unclear what body or organisation will undertake the tendering process for enabling places and allocate load to universities, or how will the places will be allocated. There will need to be due consideration given to the distribution of places to universities which serve student cohorts that require this pathway, including in the regions.

It is essential that there are adequate enabling places provided, and there is no guarantee that this will be the case. As a result, some students may be channelled into sub-bachelor rather than enabling courses, where the latter might suit them better.

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

While we recognise the inequities that exist in the current distribution of Commonwealth Supported Postgraduate (CSP) coursework places, we are unclear about the process for

allocation of the proposed post-graduate coursework scholarships to students e.g. will this be on merit, need, or regionality? What will the national priorities be? Will universities be able to allocate full fee postgraduate coursework places before all CSPs have been allocated? A mechanism is required to ensure that there is an equitable distribution of CSPs for postgraduate study in regional Australia to encourage professional training in the regions.

There should be transparent, and fully inclusive, consultation with the sector on the roll out of the new arrangements.

Introducing the new postgraduate coursework place provisions on a phased basis to moderate their impact, particularly in disciplines with large post-graduate enrolments, would give time to build confidence in the new system and universities to adjust.

The lack of grandfathering arrangements is counter to past practice. It is, potentially, a serious issue for current students, including part-time Commonwealth supported post-graduate students.

### **Scholarships for regional students to study STEM subjects**

We support more scholarships for rural and regional students to study STEM subjects for tertiary awards.

The draft guidelines indicate that it is proposed that priority is given to those in financial need (50 per cent weighting), and that consideration is given to capability (35 per cent weighting) and significance of the proposed study (15 per cent weighting). Various considerations (e.g. people from areas of high unemployment, applicants proposing to undertake an internship, Aboriginal and Torres Strait Islander People, and women studying in fields with low female representation) are listed for bonus points.

As well as providing support for regional Australians, it is important to provide some incentive for the scholarships to be taken up in regional Australia. Those who study in the regions largely stay in the regions to work, and regional Australia will benefit more widely.

***We therefore propose that bonus points are also given to those intending to study at a regional campus.*** This is consistent with other government policy which is encouraging the location of government agencies and development of businesses in regional Australia.

### **Medical student loading extended to include agriculture as well as veterinary science and dentistry units of study**

RUN supports the extension of the medical student loading to include veterinary science and dentistry units of study, and advocates that it is extended to agriculture units of study. Data from the recent cost of delivery exercise indicated that agriculture is underfunded e.g. at the University of New England.

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

We support the measure to provide students with more pathways through the uncapping of approved sub-bachelor programs which articulate into bachelor awards. The change should

help student success. The alignment of the places with industry needs will assist in training people to meet the requirements of regional business.

### **Higher Education Participation and Partnership Program**

RUN strongly supports the legislation of the Higher Education Participation and Partnership Program (HEPPP) to protect the fund from further cuts, and the uncapping of the per head loading.

While the \$985 per head rate is below the 2016 per head rate of over \$1,200, we note that, under the new arrangements, the per-head loading would have been \$1085 per student if money had not been taken out for the performance funding bucket and the growth in the National Priorities Pool. While there will be some reduction in funding in the short term from 2016/17 levels, this will be ameliorated in the medium/longer term by the demand driven and indexed funding, and the insulation of the program from further cuts via legislation.

### **Regional hubs for higher education**

RUN supports the initiative to establish and maintain up to eight community-owned, regional study hubs across mainland Australia.

Study hubs provide important support to distance/external students who stay in regional Australia while studying, and assist student success.

### **Commonwealth expansion of support for work experience in industry units**

We support the initiative to provide Commonwealth contributions for Work Experience in Industry units that are credited towards a Commonwealth supported qualification.

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

RUN universities have significant numbers of New Zealand citizens at some campuses. Replacing subsidies with loans will deter future students from studying in Australia.