

Australian Catholic University

Feedback to the Department of Education

New Managed Growth Funding: Implementation Consultation Paper

August 2024

Feedback on New Managed Growth Funding: Implementation Consultation Paper

Australian Catholic University (ACU) acknowledges the opportunity to provide feedback to the Department of Education's new Managed Growth Funding (MGF) system for Commonwealth supported places (CSPs) consultation.

The reform proposals, together with the Department's consultation paper on introducing a Needs-based Funding system, rightly acknowledge that Australia's higher education funding system requires reform. However, ACU considers the current suite of policy proposals underdeveloped and unsuitable for implementation. They also fail to address key issues raised by the Australian Universities Accord Panel, including the recommendation to replace the Job-ready Graduates Package.

ACU strongly recommends that the Department collaborate further with universities to develop a robust and fit-for-purpose base funding system. ACU supports Universities Australia's call for a collaborative approach to designing a new funding system for the future that supports growth and ensures funding stability, particularly given ambitious sector enrolment growth targets.

Overall, the current proposals need reassessment. Several measures lack sufficient detail and risk significant unintended consequences. Furthermore, they are likely to run counter to key objectives for the sector articulated by the Australian Universities Accord, including improved educational access, equity, and outcomes in higher education.

ACU is also concerned the proposed MGF system would inhibit student choice and mobility, and would be resource-intensive to execute and administer. An incremental approach to designing and implementing a new funding system would be preferable to ensure effective and well-considered reforms.

If the Federal Government remains committed to establishing an Australian Tertiary Education Commission (ATEC) and involving it in funding matters, it would be prudent to ensure ATEC is well-resourced, independent, and equipped with the necessary higher education expertise to execute its functions.

ACU looks forward to further engaging with the Department on these matters.

To assist the Department, ACU provides feedback on questions presented in the Consultation Paper and raises additional issues for consideration or clarification, as follows.

1. What are the key implementation issues that need to be considered as the sector transitions from the current system based on total funding cap (i.e. MBGA) to the new system based on a cap on EFTSL (i.e. MGT)?

The proposal for a MGF system needs further consideration, particularly the practical implementation of a “system-wide pool” of CSPs. It is unclear whether the current distribution of enrolments across different disciplines and course levels and at provider level would be considered.

ACU is concerned the proposed MGF system will be slow to respond to the changing needs of students and the workforce. Administering such a system would also impose a significant administrative burden on both government and institutions. This could lead to a mismatch between graduates’ skills and market needs. Furthermore, MGTs are proposed to consider a broad range of factors including national objectives, student demand, institutional goals and missions, and institutional and sector sustainability. The Department should clarify how these factors will be prioritised in practice when setting enrolment caps and/or determining their distribution. Further information is also needed on the role of Mission-Based Compacts and their integration under such a system.

In addition, there is inconsistency in the policy proposals and terminology used in the Consultation Paper. For example, it is stated: “[H]igher education providers with a current allocation of CSPs will receive an allocation of the system-wide places through MGTs.” (Consultation Paper, p. 2). However, under the existing system there is no “current allocation” of CSPs; rather, universities primarily operate based on a maximum basic grant amount (MBGA) each year and determine the distribution and mix of CSPs across disciplines and course types at an institutional level based on their MBGAs. It is unclear how the existing and proposed new systems would be reconciled in this process. Furthermore, it is stated that for the system-wide pool of CSPs, MGTs would be expressed in “numbers of students enrolled”, however, at the individual provider level it is stated MGTs would be “specified in equivalent full-time student load (EFTSL)” (Consultation Paper, p. 2).

2. How can the system be designed so that it is responsive while also providing more funding certainty to providers?

The proposal to provide each institution with a MGT for the next year with estimates for the following two years does not align with universities’ enrolment planning timelines, which are longer. This includes planning for a significant number of students studying part-time, completing combined degrees (where degrees span more than three years even when completed full-time), and/or completing embedded honours and vertical double degrees.

A more effective approach would be a five-year MGT cycle, with certainty for years 1 and 2, contingent changes (based on performance) for year 3, and estimates for years 4 and 5. Such a model would recognise the pipeline effect of enrolment planning and the corresponding operational planning.

The proposal that no funding would be provided to universities that enrol over their MGT cap is also problematic. A “hard cap” will have unintended consequences for both students and providers. Universities might under-enrol to avoid exceeding their caps, potentially hindering efforts to meet the Government’s ambitious equity and attainment targets. A modest buffer or tapered approach would better enable universities to manage enrolments while striving to meet participation targets.

The Consultation Paper suggests that MGTs will be adjusted in response to “market structure issues” such as the “need to establish sustainable scale for a new provider” (Consultation Paper, p. 3). Further information is needed on how new providers will be integrated in the system, and the regulatory mechanisms that would be employed to ensure accountability for the use of public funding/CSPs.

3. What are the key operating rules and procedures required for negotiating and setting the MGTs with providers?

The impact of MGTs on prospective university applicants, particularly those from equity groups or those who may not secure a place in their preferred course or institution due to caps, needs careful consideration. A reallocation process would cause delays and stress. Fundamentally, it should be acknowledged that individuals apply for admission to a particular university, campus and/or course, for

different reasons. The proposed centrally managed reallocation system would inhibit and devalue student choice in accessing higher education. At a minimum, there should be some flexibility in the imposition of enrolment caps at the institutional level, to account for these considerations.

The proposal to support new FEE-FREE Uni Ready courses in the system is a positive development. Any new funding regime should ensure there is open and sufficient access to these courses, which is vital to achieving the Government's equity agenda and higher education participation targets, with all institutions having access to CSPs to deliver these courses and with clear course requirements. As ACU has previously advocated, and as evidence shows, enabling (or preparatory) courses equip educationally disadvantaged and underprepared students with the knowledge, skills and mindset they need to undertake and succeed in higher education.

Negotiation of provider MGTs should occur at an institutional level, taking into account a university's mission and factors such as enrolment rates, student satisfaction and outcomes, demographic trends, and industry and community needs, amongst others. Consideration of enrolment patterns in areas of skills demand, such as education and health, should also be factored into the setting of a sector-wide CSP pool and MGTs, to help ensure Australia does not face critical workforce shortages into the future.

4. Are there any implementation issues associated with defining eligibility of equity students subject to managed demand driven funding?

ACU currently does not have a comprehensive method to identify direct applicants' equity status. Tertiary Admissions Centres (TACs) collect relevant data, however, integrating this information into ACU's systems would be necessary if reforms proceed. There are also definitional issues to consider when identifying students who belong to the identified equity groups, such as using postcode for low-SES and regional/rural/remote status, which may not accurately reflect equity status. For example, low-SES students could reside in affluent areas, just as some rural students may be educated in the city without experiencing any loss of educational opportunity. While these are evidently ongoing policy issues, consideration should be given to whether more accurate measures or identification tools can be utilised to improve identification of equity students and support transparency sector-wide.

5. How should the managed demand-driven funding system be implemented to ensure equity students are not disincentivised to study if they do not receive an offer from the university or course of their choice?

There is an apparent conflict between the proposed MGF system and the Government's positive vision to implement reforms to "better meet student demand" and "increase opportunity for people from underrepresented backgrounds" (Consultation Paper, p. 1). Rather than expanding opportunity for prospective students, including equity students, the MGF would inhibit choice. Where institutions have exceeded their enrolment caps it is highly probable students will not be enrolled at their preferred university and/or in their preferred course. The proposed system is also likely to involve significant resourcing, and detail is needed on what timeline new enrolment processes would operate to and how this would be managed efficiently.

The Consultation Paper leaves several critical issues unaddressed and ACU has concerns regarding the implications for:

- *Student choice*: For example, if a student cannot be enrolled in their university/course of first choice, will they be consulted on the alternative options? Would consideration be given to their second preference or third preference, and if so, how would this process be managed?
- *Student mobility within the sector*: Would students still be able to transfer courses and universities once they commence? How would this be handled?
- *Students with disability*: Up to half of students with a disability only identify the need for support post-enrolment, how would this be accommodated under the proposed new system?

If caps on CSPs are to be introduced, they should exclude applicants from equity groups and those enrolling in areas on the Skills Priority List. Ensuring university places for equity applicants who meet admissions criteria can encourage their pursuit of higher education.

The reforms' impact on diversity in the higher education sector also needs consideration. Caps might lead to a homogenised and less innovative sector where institutions are incentivised to offer “similar” courses to cater to students who have missed out on a place at another provider due to institutional CSP caps.

6. How will the admissions process, including the applications, offers and acceptance, need to work for equity students through the state-based tertiary admission centres (TACs)?

Where possible, equity categories should be captured at the application stage and verified where necessary, potentially managed by the TACs. However, this does not address direct applications, with consideration needed for their inclusion within the proposed new system. Providers who administer direct applications should be consulted in this regard. For TAC applications, a suitable system might be for TACs to display the number of places available in each course on their websites, and require institutions to do the same. A system similar to QTAC's, where acceptance, deferral and rejections are processed through the TAC and reported directly to government, could be considered.

7. Are there any unintended consequences associated with the managed demand-driven for equity students?

Enrolment caps may de-incentivise some individuals from applying for university entry. Those most likely to lose interest are individuals from disadvantaged backgrounds. This would run counter to the Government's equity agenda and the Australian Universities Accord Panel's vision for Australia to build “skills through equity”.

8. What considerations need to be included when defining and determining local catchment areas, including for universities with multiple campuses; for geographic locations with limited numbers of universities; or for students wishing to study online?

There should be an equitable distribution of CSPs for multi-campus universities, and accounting for online students. Specific consideration needs to be given to ACU as a national university operating across three states and one territory (including a regional campus in Victoria).

Any MGTs should be developed in close consultation with each provider. For example, at ACU discussions would need to recognise the university manages different industry and community needs at each location, and fluctuating demand, particularly at smaller campuses, requires specific consideration.

9. How long should transitional arrangements be put in place? Should there be a limit on how many consecutive years a university can access the funding floor?

The proposed provision for a funding floor and transitional arrangements is sensible and appropriate. However, ACU recommends extending transitional funding beyond 31 December 2029 for providers who have exceeded their MBGAs (prior to 1 January 2026), to support these students through to completion. This would acknowledge that many students study part-time (including equity students) and some will still be studying beyond 2029.

More broadly, universities should be allowed at least three years to adjust to a new operating model, and whilst longer term needs are evaluated. However, further transitional arrangements may be necessary and should be discussed at individual provider level. It is imperative that universities are allowed adequate time to implement changes (including policies, processes, reporting, and systems) to operate within any new arrangements.

10. If providers are not able to receive any funding (i.e. both government and student contributions) for enrolments above their MGT, what transition arrangements are needed to support those universities that are currently enrolled at levels above their funding cap?

This should be discussed at the provider level. However, in principle, universities should be supported to support students through to completion.

11. Are there any other important implementation issues that should be considered as part of the transitional arrangement to the new funding system?

A central consideration should be the combined impact of the proposed introduction of caps on both international and domestic student enrolments on universities' finances and operations, educational delivery, and student support. These measures present a significant risk to the financial stability of many higher education providers and Australian higher education overall.