Innovative Research Universities

Job-Ready Graduates package: overview

In summary, the Job-Ready Graduates Package is:

1. a mechanism to increase the main university grant that:
   - is indexed for inflation, with an ongoing performance factor,
   - adds a campus driven expansion and national priorities expansion, and
   - is fully flexible to be used across qualification levels and disciplines;

   paid for by:
2. reworking of the discipline funding and charges matrix that overall reduces university revenue;

   with other funds freed up used to:
3. create the National Priorities Industry Linkages Fund (NPILF); and
4. revamp the equity and regional funding pools into a new regionally targeted fund Indigenous, Regional, Low Socio-Economic Status (SES) Attainment Fund (IRLSAF),

   with projected additional HEPPP funds used to pay for:
5. response to the Napthine RRR report with numerous smaller regional rural remote initiatives.

IRU response

The Innovative Research Universities (IRU) group supports the Government's plan to meet growing demand for university education through funding to support additional university places. However, the IRU is concerned the changes will force universities to provide courses with less revenue per student than currently. Each university will have to look carefully at how it can continue such courses.

The big risk of these reforms is that the conflict between student incentives and university incentives could lead to a mismatch. The combined revenue from Government and student for some courses the Government wants to expand, such as engineering and maths, will fall. The revenue for others targeted for big increases in student charges will rise – making these more attractive to universities.

The Package includes notable elements to stimulate growth in university education across coming years. This will be enabled through a renewed funding system that targets growth at rural and remote regions and funding for growth in the cities. The revamp to the main equity program, and the scholarship for outer regional students, should further encourage take up.

The focus on education further cuts the link with research despite the sector's commitment to both, and the Government's strengthened requirement that a university must involve high levels of both. The research systems are also under pressure due to loss of revenue to support them. They require financial support to ensure future capability across the breadth of knowledge.

The IRU is concerned that the Package does not directly address the multi-billion-dollar shortfall faced by Australia's higher education sector as a result of COVID-19.

Political future

The main elements of the Package require legislative change. The Government plans a substantial overhaul of HESA to alter it from a demand driven funding mechanism to a Government determined envelope of money funding mechanism. The legislation is likely to give the IRLSAF and NPILF a clear base for operation.

Legislation is likely for August 2020, with expectation for a Senate committee inquiry and debate. Final vote not likely until October 2020 at earliest.

The legislation means that the Government needs to gain sufficient support in the Senate, 39 votes if all Senators are present.

The long term budget picture

The package is neutral over the budget forward years, albeit we will not see the figures until the October 2020 budget (or 23 July economic statement). Following that the impact of the CPI indexation becomes stronger, which does not cost the Government money but prevents it saving even more.

This is the reverse of the loss to the system from the 2018-2019 Commonwealth Grant Scheme freeze and slight increase in 2020. The freeze savings match those that the Birmingham package wanted and would, if allowed to continue, start to produce big savings to the Government, and consequent squeezing of university revenue.

It highlights the choice for the university response – that despite the many negative aspects JRG package stabilizes funding, allows it to maintain purchasing power, and provides for some growth.

IRU: Areas identified for improvement

Funding envelope

1. The extreme spread of the student charges, with emphasis on the new top rate and its inclusion of humanities and society and culture units (less fuss from the business law areas), but also on the folly of lowering charges.
   - This is the public's focus. Any amendment to the package is likely to involve moderating the proposed four-fold spread from least to highest.
   - It is possible to avoid charging more than the current top amount, reduce the charge for the areas the Government targets by less, and produce the same overall outcome for Government and universities.
2. The reduction in the average revenue per student for universities. This is driven by lower revenue for several discipline areas notionally targeted for growth, greater than the increase in others.
   - The funding envelope is ultimately what matters. The discipline inputs affect internal university distributions and incentives for recruitment.
   - Focus at proposals to moderate the discipline level impact.
   - Potential for proposals that increase the per student level overall.

3. The calculation of the funding envelope for 2021 to 2023.
   - The Government plans to reset the main university grant for 2021 onwards such that it would support the same mix of students by discipline as the current maximum base grant supports. This is very complicated to model and estimate.
   - It would then maintain its value through CPI indexation and increase it by the growth funding.
4. the application of the Transition fund. The transition fund is used to ensure that universities receive the difference between:
   - the funding that the current system would provide for the actual enrolments of 2021 to 2023, and
   - the funding that the proposed system would provide for enrolments 2021 to 2023.

Growth places

5. The way the growth places will be allocated for metro-based campuses and the real significance of 100,000 places over a decade.
   - The high growth for regional based campuses aims to stimulate local residents to apply or for people to move from cities. It targets low levels of graduates in those areas.
   - The city division between high and low growth campuses deems most campuses low growth (52 to 35).

The two new Funds

6. The nature of the NPILF and its implications for funding academics' general research.
   - The funding per university has been announced.
   - The uses of it is subject to advice to the Minister from a sector based advisory group.
7. IRLSAF and its implications, including changes to the HEPPP allocation formula
   - IRLSAF is intended to be worked out later in the process, However the existence of a previous equity group to advise on how the Government should use its priority funding allows some earlier discussions.
   - HEPPP funding for the transition period will remain its current level roughly $135-$140 million. This means the impact of the new formula will be immediate and notable, with a swing to and away from universities essentially due to proportion of students from regional backgrounds.
   - The HEPPP increase in the budget outyears is used to fund the Napthine actions.

Other matters

University colleges and access to funding by non-university providers

The JRG package does not alter the clear distinction of Table A, essentially the universities, Table B with research funding plus scope for all providers to apply for the additional National Priority places (300 a year).

- NDA Australia will get a further allocation. It could be swept into Table A but appears to prefer not.
- CSU gets some for medical school.
- Open competition for remainder that could extend to University Colleges.

Looking ahead the Category changes and the focus of Commonwealth Grant Scheme as teaching funding allows a future Government to fund the University Colleges but that is a future decision.

Enabling places

The Minister has made clear that he does not support creating additional enabling places. Rather universities are to use the formal sub-bachelor qualifications.

Key measures of the package

Re-aligning funding and incentives

The Job-Ready Graduates Package will:

- Rebase funding by discipline to align with cost
  - Existing contributions grandfathered until 2024 if new rates are higher 2021 to 2023. Lower charges apply from 2021
  - Changes in effect for all students from 2024.
  - No increase to student contributions for approx. 60% of students.
  - Continuation of no up-front costs.
- Introduce a "funding envelope" by combining funding for Commonwealth supported places across levels of higher education and allowing universities to trade places.
- Return to CPI indexation of funding for university maximum grants so funding maintains value over time.
- Growth funding: 3.5% funding increase for regional campuses; 2.5% for campuses in high-growth metro areas; 1% for other campuses (per annum).
- Increase focus on the national interest with funding now incorporating a broader assessment of public benefit including:
  - Employment participation (better employment outcomes)
  - Proportion of graduates employed as managers and professionals
  - Completion rates
- Extra "targeted funding" to be provided in national priority areas and courses "where they are needed" (300 new commencing places in 2021 rising to 900 commending places in 2024) in fields such "maths, foreign languages and agriculture".
- Transition fund "distributed to universities in such a way that ensures fairness across the sector" estimated at $ 705 million over the three years. No details on basis for calculations.
- Establish the National Priorities Industry Linkage Fund (NPILF) that will incentivise work-integrated learning such as internships, university-industry research collaborations and Industry 4.0. (roughly $200 million a year).

Student access and attainment

- New Indigenous, Regional, Low Socio-Economic Status (SES) Attainment Fund (IRLSAF), a consolidation of existing programs to operate from 2024
  - HEPPP, regional loading enabling loading and some national institute funding.
  - Government to "work with the sector on the design of the fund"
- Higher Education Participation and Partnership Program (HEPPP) broadened to include regional/remote and Indigenous students for allocations 2021 to 2023.

- HEPPP allocation in 2020 is 100% low SES. From 2021, will be: 45% low SES; 45% regional and remote; 10% Indigenous.

Regional, rural and remote students and communities

- One-off non-indexed $5000 Tertiary Access Payment for outer regional and remote students who relocate to access full-time tertiary study immediately after Year 12.
  - An estimated 8160 tertiary students will be eligible for the payment in 2021. Roughly $40 million a year
  - Available to students from outer-regional, remote or very remote area (as per Australian Statistical Geography Standard classifications) who relocated to study at an institution at least 90 minutes from home by public transport, and whose parent's combined income does not exceed $250,000.
  - Payments to be made in two parts: initial $3000 following enrolment and $2000 "later in the academic year".
- Fares Allowance to be available to students sooner, by reducing the Youth Allowance / Austudy / Pension qualifying wait time from six months down to three months, meaning students will now be able to access it to return home during first year mid-term break (an investment of $0.7 million over four years).
- Up to eight additional Regional University Centres (RUCs).
  - Government investment of $21 million over four years.
- Enhance the research capacity of regional universities by encouraging them to establish partnerships with larger, research-focused institutions in Australia or overseas, or with industry.
  - About $12 million a year.
  - Annual funding rounds, providing three years of initial funding for successful applicants and the possibility of an additional two years more funding for a limited number of high performing projects.
  - Eligible universities must be a "regionally headquartered" Table A HESA provider.
  - Funding to commence in 2021.
- Establish a Regional Education Commissioner to oversee Government's RRR Strategy.
  - $6 million Government investment over four years for a Commissioner and associated administrative support.
  - Projects will include developing improved geographical classification tools; evaluating current support services for RRR students; investigating ways to facilitate reliable internet access; mapping of current provision of tertiary access programs; investigating best-practice methods of retaining students to Year 12 in RRR areas.
- Demand driven funding for regional Indigenous students.
  - Estimated 160 additional Aboriginal and Torres Strait Islander students expected to benefit in 2021, rising to "over 1700" by 2024.
  - All such students are additional to funding envelope

Other measures

- Redraft of Australian Qualifications Framework. ($3.1 million investment over three years).
- Create a national repository of tertiary qualifications
- TEQSA to assume control of student records from higher education providers that cease operations. ($2 million investment over four years).
- “New expectations for transparency and accountability” by universities including performance-based funding of NPILF and reporting on cost of teaching on a more ongoing basis
- Reduction of the FEE-HELP loan fee from 25% to 20%.

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