



MANAGED GROWTH FUNDING AND NEEDS-BASED FUNDING

Consultation papers

University of the Sunshine Coast submission

August 2024

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Executive Summary

The University of the Sunshine Coast (UniSC) is pleased to provide a submission in response to the *Managed Growth Funding (MGF)* and *Needs-based Funding (NBF)* consultation papers.

UniSC endorses the submissions from Universities Australia (UA) and the Regional Universities Network (RUN). Our submission therefore seeks to reinforce some of the key points made in those submissions and provide additional perspectives and ideas for consideration.

UniSC supports the policy rationale of the MGF and NBF, and their stated intention to better meet student demand, maintain sustainable growth and increase opportunity for people from underrepresented backgrounds. For example, we agree that universities should be able to move CSPs between courses and levels to better meet student and industry demands. We particularly support a model that funds per student, noting this should be funded by student headcount instead of EFTSL for the reasons we and others have argued many times.

Unfortunately, both funding frameworks as currently outlined appear to contain fundamental flaws, the most significant being their focus on the sector management needs of the Government over the needs of the student. Rather than genuinely encouraging students of all ages and backgrounds to consider and enrol in higher education, key elements of the MGF and NBF models risk reducing or further complicating study options and choice. Some of the proposals are particularly problematic for cohorts already disenfranchised from tertiary study.

It is also not clear to UniSC if adequate consultation has been undertaken with First Nations leaders to ensure Aboriginal and Torres Strait Islander perspectives are being incorporated into the design and implementation. This is also important to avoid where possible separate funding streams which may confuse First Nations students and their families with additional options and add further administration and reporting complexity for institutions.

Many aspects of the models do not contain sufficient detail and therefore raise questions that need answering. Where proposed elements are clear enough to allow consideration of the implications, many require further consideration to avoid predictable as well as potential unintended adverse consequences for students and universities.

UniSC's primary concerns, over and above the apparent undermining of student choice relate to the:

- Sheer complexity of the arrangements, which also increase the risk of unintended (and perverse) consequences, noting the mandate from the Accord Report to deliver a simpler funding model.
- Hard cap on CSPs given the intention to count students by EFTSL.
- Numerous issues with the 'managed demand driven funding' for equity students, particularly the erosion of student choice and associated enrolment disincentives, the complexity of the admissions and preferencing process, including student 'catchments', and the unnecessary complexity of funding scales based on subjective academic preparedness measures.
- Significant increase in institutional administration and reporting that will be required without a commensurate funding contribution to offset this.
- Continued absence of a clear funding mechanism to maintain, upgrade and build universities' infrastructure and facilities.
- Ability of the ATEC / Department to deliver the significant data capability uplift required to administer these funding models.
- Lack of clarity about how outreach will be funded to build aspiration and the future enrolment pipeline, particularly amongst equity and regional cohorts.
- Lack of clarity about how regional loadings can be spent.
- Prescriptive approach to the 'Framework of Equity Support Activities'.

Recommendations

UniSC makes the following recommendations for consideration which are further contextualised in the body of our submission.

Managed Growth Funding (MGF)

1. *Set the primary objective of the MGF as achievement of the National Tertiary Education Objective, with a further objective to partnering with universities and other providers to achieve a clear and stable funding model that better support national and institutional planning.*
2. *Clarify how the system-wide pool of CSPs will be determined and agreed, including the role of universities, state and territory governments and jurisdictional offer processes.*
3. *Replace the proposed institutional hard cap with a negotiated cap 'range'.*
4. *Reconstitute the proposed funding floor to reflect the bottom end of a negotiated cap 'range', embed this as an ongoing safety net feature of the funding model and undertake any enrolment growth discussions and actions through the compact process.*
5. *Equity groups to be fully demand driven funded and therefore excluded from hard caps.*
6. *Remove the student 'catchment' approach to allow equity and regional students to enrol at the university of their choice by adjusting that university's cap range.*
7. *Extend the proposed annual MGT setting process to multi-year to give universities more planning and investment certainty and reduce the administrative burden.*
8. *Clarify how university infrastructure needs will be funded.*

Needs-based Funding (NBF)

1. *Allocate NBF on student headcount instead of EFSTL.*
2. *Deliver NBF to regional and remote students as distinct equity group.*
3. *Clarify how the regional loading can be spent and reconsider its application for inner and outer regional campuses with large equity student enrolments.*
4. *Replace the academic preparedness scaling approach with a flat rate, increasing by a suitable formula for students with multiple equity memberships, underpinned by a robust eligibility identification, verification and monitoring process.*
5. *Replace the 'Framework of Equity Support Activities' approach and burdensome reporting arrangements with a simpler outcome-based framework that retains institutional autonomy to decide which supports are most effective for their students and local contexts.*
6. *Clarify how aspiration raising and outreach programs will be funded given the NBF only provides for post-enrolment student support.*
7. *Clarify how university performance assessments will be used to influence other Government funding decisions.*
8. *Clarify how the Government will align its required data capability uplift with the NBF implementation timing.*
9. *Fund universities to invest in their own additional data collection and reporting requirements to meet NBF reporting obligations.*

Introduction

The University of the Sunshine Coast (UniSC) is pleased to provide a combined submission in response to the *Managed Growth Funding (MGF)* and *Needs-based Funding (NBF)* consultation papers.

UniSC endorses the submissions from Universities Australia (UA) and the Regional Universities Network (RUN). Our submission therefore seeks to reinforce some of the key points made in those submissions and provide additional perspectives and ideas for consideration.

We would welcome the opportunity to discuss our submission in further detail. If this is of interest, please contact Jason Mills, Head of Government Relations, on jmills3@usc.edu.au or 0415 950 619.

Response to Managed Growth Funding consultation paper

Objectives

UniSC support the principle of a managed growth system so long as it facilitates the achievement of attainment targets that include more equitable participation of students from equity groups and the regions.

We agree with the RUN submission that the overarching objective of the MGF should be to achieve the proposed National Tertiary Education Objective. A further objective should be to partner with universities to achieve a clear and stable funding framework that better supports national and institutional planning and investment.

System-wide pool of CSPs

UniSC has many questions about how the Government will arrive at the size of the pool, including the transparency involved, and is concerned that it will be determined more by annual Federal Budget allocations to the Education portfolio than by student demand and growth targets. It is also not clear what role state and territory governments may play in influencing the size of the pool and how different state-based offer processes may impact the allocation of CSPs.

Managed Growth Targets

UniSC believes that a negotiated cap 'range' (or 'tolerance band' per Accord Final Report recommendation i.e. an upper level as a 'stretch target' to drive growth and a lower level as a funding floor) is a more appropriate approach than a single 'cap' figure that provides no margin for error. This is particularly the case given the intention to measure students by EFTSL through which a hard cap creates under and over-enrolment risks e.g. part-time students increasing or decreasing load based on personal and/or economic circumstances. Given this risk, universities may voluntarily, or be required to, stop accepting new enrolments in case students increase their study load and push them over their cap. This could result in universities setting internal targets below the MGT to provide a safety margin which means national growth targets are less likely to be achieved.

We support the proposed ability for universities to move CSPs between courses and levels to meet demand from students and industry, however we seek more detail on how this autonomy could be potentially constrained by the Government e.g. how it will balance the needs of dynamic national priorities and university missions.

UniSC supports the RUN recommendation for longer term negotiated MGTs to provide more planning and investment certainty and reduce the administrative burden for smaller universities. Further, the paper notes MGTs would be adjusted over time in response to student demand dynamics, university performance and other market structure issues. Clarity will be required on what 'provider performance' metrics are to be assessed.

Managed demand-driven funding for equity students

UniSC agrees with the concerns and questions in the RUN submission about how this overly complex approach will work, so we only make the following points.

We strongly believe that all equity groups (including regional students) must be supported by fully demand driven funding, at the university of their choice, if we are to achieve participation and attainment parity for traditionally underrepresented groups. Given the higher costs involved in recruiting and supporting equity students, placing them within an overall hard cap may result in unintended consequences. These could include reducing the incentive for institutions to undertake outreach and recruitment of more equity students (particularly given the NBF only funds post enrolment supports), students applying for an equity CSP where they are not eligible to gain an admission advantage or universities accepting dubious equity applicants for the promised NBF. Equity caps may also reinforce or worsen stratification between universities that can fill their caps without many equity students and universities with higher costs and lower completion rates because of their higher equity student profile e.g. regional universities.

With respect to the proposal that equity students would be guaranteed a CSP if they gain admission but not at their chosen university, this will undermine student choice, including impacting their academic and logistical preparations, and will therefore act as an enrolment disincentive to many equity students. Further, it will reduce the sector's social licence in the community at a time when it needs to be rebuilt. UniSC argues that it would make more sense, particularly in the absence of other local universities, like for like course offerings and for regional students, for the ATEC to increase the MGT cap (or upper range) to accommodate these students.

Transition and institutional sustainability

UniSC broadly supports the concept of a funding floor, noting that per our earlier comments this should constitute the bottom end of the negotiated cap 'range' or 'tolerance band'. A funding floor should be an ongoing feature to protect from unexpected and significant falls in student demand or load due to impacts outside of that university's control.

We question the proposal that universities accessing the funding floor be required to develop an 'action plan' detailing initiatives to meet future year MGTs. Aside from the fact that universities are inherently motivated by their missions and commercial realities to achieve sustainable growth, it would be difficult for the ATEC to accurately determine if action plans were appropriate in terms of proposed actions and timelines as bound by the resources of the university. We suggest university commitments to growth should be dealt with through the compact process.

Response to Needs-based Funding consultation paper

Objectives

UniSC welcomes and supports the overarching objective of the NBF to help more students from under-represented backgrounds to participate and succeed in higher education. We similarly agree that a per student funding model is a major improvement on the current capped system based on share of total enrolments which decreases as enrolments increase, although we note the paper provides no proposed methodology for assessing and establishing reasonable costs to inform NBF dollar amounts.

We would also remind the Government that it until it reforms the punitive student contribution amounts established under the Job Ready Graduates package (i.e. re-aligning these to the earning potential of degrees) to create a fairer student cost environment, they will continue to act as a disincentive to equity enrolment growth, particularly among students from low-SES families.

While we acknowledge this aligns with the suggested approach in the Accord Final Report, the NBF does not fund outreach programs to help build the future pipeline of students, particularly equity students. Given the MGF proposes national and institutional caps, including for equity students, UniSC is not clear on how and when the Government intends to fund aspiration raising and outreach activity. The additional CSP funding for enabling courses will not be sufficient.

Elements

NBF should be based on student headcount and not EFSTL, which we know under-funds universities like UniSC due to a higher proportion of part-time students. Especially for non-academic matters, student support needs are more closely linked to headcount than study load, particularly for equity students. We also argue that as the Government's equity targets will be based on headcount (either directly or as a percentage of total sector headcount) NBF should also be funded on headcount.

Given their significantly lower participation and attainment rates as well as higher attrition rates, we believe that NBF should be applied to regional and remote students as a distinct equity group. While welcoming the proposed continuation of regional campus loadings (notwithstanding our ongoing concerns about geographical eligibility definitions), this will not assist regional students who for many different and valid reasons, choose to study at a metro or inner regional campus.

We require clarity on how NBF amounts may differ for students with eligibility for more than one equity group, particularly reassurance that sufficient additional funding will be made available to allow universities to adequately support students with compounding levels of disadvantage.

Further to the above, we endorse the concerns and questions in the RUN submission about how equity student definitions, verifications and changes while studying will be addressed. We are particularly interested in the consultation timing and approach to consider eligibility settings and program design for students with a disability given the intended commencement of the NBF model from January 2026.

We challenge the introduction of NBF scaling based on academic process and argue for a starting flat rate, increasing by a suitable formula for students with multiple equity memberships, and underpinned by a robust eligibility identification and verification process which the NBF model will require in any event. A scaling approach not only further complicates an already complex funding model it also raises many questions about how to assign and fund the many potential types of academic preparedness proxies. This is particularly problematic for equity, regional and mature age students where ATARs are often not an option or not an appropriate proxy for success. A scaling model will also create unintended consequences, including perverse incentives where universities lower ATARs for equity students to receive more NBF funding.

With respect to the regional loading, UniSC seeks clarity on how this can be expended. If it can be spent only on student supports that does nothing to solve the ongoing commercial challenges of running higher cost regional campuses in thin markets. UniSC also calls on the Government once again to reconsider their (inconsistent) use of ABS definitions to categorise campuses for regionally focused funding and recognise that these geographical boundaries are subject to change despite, for example in the case of UniSC, those campuses consistently focusing on equity students and meeting the needs of their local communities.

Provider requirements

Like other universities, UniSC already provides a wide range of evidence based academic and other supports targeted at equity students and believe universities remain best placed to decide which supports will be most effective for their students and local contexts. We therefore do not support the proposal for a prescriptive and compulsory 'Framework of Equity Support Activities' that universities must choose from and acquit NBF against. We argue that an outcome-based framework would be a more appropriate mechanism, potentially also in relation to universities reporting requirements. However, there are opportunities to better share best practice student support initiatives across the sector and we therefore support a role for the Australian Centre for Student Equity and Success to develop a non-binding list that universities can both freely access and contribute to.

With respect to reporting requirements, we are concerned with the suggestion that assessment of a university's NBF performance could be used to influence other Government funding decisions such as requests for additional equity student CSPs, setting MGTs and negotiating compacts. UniSC is not opposed to a sensible reporting regime to demonstrate appropriate expenditure of public funds, however we are concerned that a university's equity student metrics will be unfairly used to assess their use of NBF when it is well established that the majority of factors influencing equity student success and attainment are outside the control of the university i.e. financial and employment commitments, particularly for those studying part-time. We also note that an overly complex reporting regime, particularly one that duplicates data already available or provided to the Department, will not only significantly increase reporting requirements it will also divert a portion of the NBF away from student support activity. UniSC argues that there is an opportunity to link reporting requirements under the NBF with the recently introduced Support for Students Policy to reduce the overall administrative burden on universities.

Data

The NBF will require the Government and universities to uplift their data requirements, including to ensure suitable reporting against the funding objectives. UniSC notes that the Department of Education has been funded to upgrade their IT system, including TCSI, and plans to build a business case in 2025 by engaging universities, however this will not allow time for universities to in turn implement their reporting capability uplift before the NBF is implemented in January 2026. The Government should consider how to align its data strategy with the intended timing of the NBF and consider providing additional funding to universities to offset the resourcing and technology investments they will be required to make to meet the Government's data collection and reporting requirements.