



INDEPENDENT  
HIGHER EDUCATION  
AUSTRALIA

# **IHEA SUBMISSION**

## **MANAGED GROWTH FUNDING SYSTEM IMPLEMENTATION CONSULTATION PAPER**

26 July 2024

## IHEA Submission

### Managed Growth Funding System Implementation Consultation Paper

Independent Higher Education Australia appreciates the opportunity to provide feedback on the Department of Education's (DoE) Managed Growth Funding System Implementation Consultation Paper, for which submissions are due by 26 July 2024.

#### [Link to Australian Tertiary Education Commission \(ATEC\) Implementation consultation paper](#)

The proposed paper appears to relate to higher education providers that are in receipt of Commonwealth Supported Places (CSP), of which only six non-Table A providers are in receipt of recurrent funding of CSP in courses of national priority (i.e. nursing and teaching). However, as outlined in DoE's Australian Tertiary Education Commission (ATEC) Implementation Consultation Paper, there are linkages between the Managed Growth Funding System and the role proposed by ATEC. This includes:

- Under Stewardship, implement and negotiate enforceable mission-based compacts with higher education providers.
- Under Funding and Pricing, decide institutions' Managed Growth Targets.

Given the ATEC's proposed role in managing the higher education funding system, IHEA is seeking clarity about whether:

- All independent providers will be subject to mission-based compacts. If so, the basis is not clear and it would seem to be an overreach to apply such a requirement to providers that are not in receipt of CSP.
- Funding targets be required for higher education providers that are not in receipt of CSP. If so, IHEA would be keen to understand that rationale further.

However, notwithstanding these linkages and issues requiring clarification, it is assumed that the Managed Growth Funding System Implementation Consultation Paper relates only to providers that are in receipt of CSP.

#### **Case for independent providers to receive CSP**

It is important for all higher education students to be supported to study in the fields of their choosing, including those that will address current and future skills needs and shortages. As such, funded CSP, on a demand driven basis, should be extended to all TEQSA-registered higher education providers in areas that are identified as national priorities.

While overlooked in the recent Accord process, IHEA continues to support the recommendation of the 2008 Bradley Review that access to CSP be extended across the sector following the establishment of TEQSA. Access to funded places for all registered providers will deliver equity for all students. Skills and workforce shortages, however, have identified an urgent need to train students in fields of national priority. IHEA proposes that all students should have an equal opportunity to be supported through a funded, CSP place when enrolling in recognised, national priority fields, regardless of their provider category. IHEA proposes that the Higher Education Support Act 2003 be amended to provide eligibility for CSP funding to all registered higher education providers for courses in national priority fields.

As a recent and successful example, the rollout of the Higher Education Relief Package during COVID-19 included the funding of 20,000 CSP for short courses across the higher education sector, with 1,000 places at independent providers funded through a \$7 million allocation. The program was well supported by the sector, with applications submitted for the funding of 4,500 places by independent providers. This greatly exceeded the 1,000 places being allocated. Independent providers supported this need and can and should continue to do so on an ongoing basis.

However, some opportunities to include independent providers to address skills shortages in priority areas have

already been missed, at the detriment to the nation. On 6 November 2023, the Government allocated \$160 million for Commonwealth Teaching Scholarships to support new undergraduate and postgraduate teaching students to meet the costs of their study. In exchange, once graduated the students will teach in only government schools or government–run early learning settings for four years full–time equivalent for those who undertook undergraduate study and two years full–time equivalent for postgraduate students.

It is concerning that measures such as this do not extend to, or address, the critical need for teachers within the independent sector, who are partnering with schools to deliver a range of innovative programs to address the supply of teachers. These partnerships train hundreds of classroom–ready teachers that results in strong student and school satisfaction with graduates (as shown in the Student Experience Survey in Quality Indicators for Learning and Teaching).

Another missed opportunity includes limiting eligibility to Commonwealth Prac Payment to students who are studying teaching, nursing and midwifery, and social work and nursing to those in a CSP. Those students at independent providers who are not in a CSP will not be able to access a payment of \$319.50 per week to support them during the periods that they undertake a placement. Unfortunately, this is another example of inequity to students who have chosen to study at independent providers, but one that can be ameliorated by expanding access to CSP to independent providers.

IHEA recommends that expanding CSP eligibility to all registered higher education providers would increase contestability for students in national priority spaces and open student choice to select the provider they deem most able to meet their educational and career needs. Notably, the independent sector is already servicing students in national priority skills areas in volume. However, such students are just not eligible for CSP support given their provider of choice, which seems counterintuitive, and we recommend that this be addressed.

Given the Consultation paper discusses a system–wide pool of CSP for the sector as a whole to be set by the Government, yet there is no mention of Table B providers or independent higher education providers, the extension of CSP is a timely consideration.

### **Feedback on the proposed Managed Growth Funding System**

#### System–wide pool

The Government will determine a maximum system–wide pool of Commonwealth supported places to support the long–term growth in enrolments to reach the Government’s attainment targets. Eligible institutions will negotiate a Managed Growth Target (MGT, expressed in numbers of students enrolled) from the system–wide pool of student places. The MGT will set the maximum number of Commonwealth supported places – specified in equivalent full–time student load (EFTSL) – that will be funded based on the cluster rates and student contributions amount (SCA). Each provider will be provided with an MGT for the next year with estimates for the following two years.

In effect, the MGT will operate as a hard cap for students enrolled after 1 January 2026, Providers will not be able to enrol above their MGT (unless they are enrolling First Nations students in demand–driven higher education courses) and would not be eligible for any Commonwealth Grant Scheme (CGS) funding and not permitted to retain student contribution amounts (SCA) for any enrolments above their MGT.

The setting of institutional MGTs would be informed by national objectives set by the Government, for example, "to promote a productive economy and society and equitable opportunity for all Australians". Other factors that would be taken into account when negotiating MGTs with individual providers would "include student demand, institutional goals and missions, and institutional and sector sustainability". IHEA is concerned that in the absence of greater detail, the definition of national objectives could be variable and influenced by arbitrary short–term objectives. The other factors outlined also provide a basis for individual negotiation on a provider's cap, which may put some providers at either an advantage or a disadvantage to other providers. Setting out in greater detail

the criteria will ensure that there are not unintended and skewed outcomes, as has occurred following the recent approach to visa processing of international students.

While Table A universities enrol almost all Commonwealth supported students, there are currently six other higher education with ongoing allocations of CSP funding, namely Avondale University; Christian Heritage College; Eastern College Australia; Holmesglen Institute of TAFE; Melbourne Polytechnic; and Tabor College.

However, the non-Table A higher education providers in receipt of CSP are only able to offer them in an area of national priority, which is education and nursing courses. As part of the System for Managed Growth Funding, there is a timely opportunity to consider an expansion of the courses to be included as national priorities, beyond teaching and nursing. There may be opportunities to include, for example, engineering courses aligned with sustainable energy, information technology courses on cyber security amongst others. Linking national priorities to emerging skills needs will be an important consideration if the funding of higher education is to support a skilled workforce and the economy's needs, as is a central tenet of the Accord Final Report.

### Managed Growth Targets

From 1 January 2026, higher education providers with a current allocation of CSPs will receive an allocation of the system-wide places through MGT. Over time it is anticipated that additional providers will receive an MGT as the system-wide pool grows. However, the providers to which the pool will grow is unclear. IHEA believes that expansion of the pool of CSP should include independent providers, for the reasons outlined above, and the expansion can and should commence immediately.

The targets will "be adjusted depending on student demand, institutional performance as well as "other market structure issues", such as the need to establish sustainable scale for a new provider. The last point is an interesting one since CSP are currently effectively only for public universities, with some support from non-Table A higher education providers. There is already an opportunity for new providers to access CSP, which will be necessary if the Government is to achieve the ambitious growth it is seeking. Further clarity is also required about whether there is an intention to increase providers that can access CSP, given the untapped market that exists in the independent higher education sector.

In acknowledging the importance of a skilled workforce to meet the economy's needs, the AUA Final Report identifies that attainment of a tertiary education qualification needs to increase from 60 per cent in 2023 to 80 per cent in 2050, which the Australian Government has confirmed is a target in their 2024-25 Budget reply to the Accord. An underlying premise of this growth, as articulated in the Accord Final Report, is a more than doubling the CSP (from 860,000 in 2022 to 1.8 million), with 25 to 34 year olds with a bachelor degree increasing from the current 45 per cent to 55 per cent. Without the critical work and support of independent providers, these ambitious growth targets will be unmet.

However, the MGT cap may have the effect of taking choice away from students about what and where they will study. This approach is mirroring that of the Education Services for Overseas Students Amendment (Quality and Integrity) Bill (ESOS Bill) 2024, which dictates what courses international students undertake. As with the proposed amendments to the ESOS Bill and international students, sanctions for exceeding the cap will result which will have the effect of reducing funding.

There is a risk that the proposed MGT may limit students' choices through the capping of enrolments. Providers may need to/want to prioritise their growth targets which may impact the diversity and variety of courses available to students. To manage sustainable growth, providers may impose enrolment caps on certain programs, hence limiting the number of students they admit and reducing overall choice. This is particularly likely to occur for providers facing financial shortfalls, potentially as a result of and/or exacerbated by a reduction in international student number. The outcome will be a system that diminishes the importance of the student experience and being student-centric, through removal of student choice.

Diminishing student choice may impact students' sense of belonging, engagement, motivation and impact their academic performance; affect the broad range of skills students can acquire through their studies; make students feel that they are not in control of their educational journey and limit their career opportunities; and disproportionately impact disadvantaged and under-represented students. Student choice should be at the core of our higher education system and policy setting that limit it can have significantly negative impacts on students.

Alternatively, students who do pursue study in a field that is not of their choosing may lead to high attrition rates, which will work against achieving the Government's targets. In addition to diminishing choice, such an approach is likely to lead to skills shortages through under enrolment in other areas of study, which will also have a negative impact on the workforce and the economy. A driving force in the Accord Final Report is to ensure that the tertiary policy settings are appropriate to support the skills needs now and into the future.

There is a risk that the proposed arrangements for MGT will lead to additional skills shortages, which will significantly affect employers' ability to recruit suitably qualified staff. This will impact a larger number of professions and require employers to engage employees with lesser skill sets, which will impact their ability to innovate and remain competitive. The effect on Australia's economy would be to stifle growth and productivity at a time that it needs a boost, which would also reduce Australia's global competitiveness. At a time when many people are impacted by cost of living issues, policy settings that impact Australia's economy moving forward will create lasting issues.

The Consultation Paper states that if a student's preferred university is already fully enrolled, they will be offered a similar place at another university within a student catchment area that has unused places, contingent on them meeting the entry requirements for the course at that university. Meeting these requirements is something that independent higher education providers do extremely well. This involves being able to adapt and adjust to the market, including funding changes, more quickly whilst retaining its high quality outcomes. Independent higher education providers have a proven track record in responding to the changing needs of students and Governments, which was showcased in the response to COVID-19.

#### Managed demand-driven funding for equity students

It is proposed that managed demand-driven funding for equity students will be established within the MGT for Table A provider. Students from equity backgrounds wishing to study a non-medical bachelor level course at a Table A providers will be guaranteed a fully-funded CSP if they gain admission, but not guaranteed a place at their chosen university. MGT of providers will be able to be adjusted to meet equity demand.

The managed demand-driven funding will apply for students from a low-SES, regional or remote background, or students with disability. Students from equity backgrounds wishing to study a non-medical bachelor level course at a Table A university will be guaranteed a fully-funded CSP if they gain admission, but not guaranteed a place at their chosen university.

However, if the student's preferred university is already fully enrolled, it is understood that the student will be offered a similar place at another provider within a student catchment area that has unused places, contingent on them meeting the entry requirements for the course at that provider. That said, the impact again will be a prescriptive impact in terms of where a student is able to study, which is not determined by their choice and eligibility. This is undesirable given the Government is wanting to grow student numbers. Providing choice for students should be the centrepiece of any reform, and which would be easily achievable through expanding the base of providers that offer CSP to include the independent higher education sector.

#### Transition and institutional sustainability

It is understood that the move to a hard cap, where providers do not receive CGS funding or student contributions for enrolments above their cap, will also be subject to transitional arrangements, which would be in place for four years until 31 December 2029 for students enrolled prior to 1 January 2026. The intention of the transition arrangements is to avoid a sudden decline in revenue.

As a general principle, IHEA supports transition periods, particularly in relation to significant policy changes that could have a negative impact on providers' funding streams. Given the Government's approach to exercising greater control over the enrolment of domestic and international students, a transition period, of at least 12 months to the introduction of student caps under the ESOS Bill should also apply. The rationale for this is the same as the rationale proposed in this Consultation Paper – to minimise the impact of imposing a cap on international students to the revenue, workforce and sustainability of providers, in particular, those that do not benefit from Government revenue in the way the public providers do.

Further, the introduction of a funding floor is proposed as a level of funding, which a Table A provider is guaranteed to receive each year, irrespective of actual enrolments. The funding floor will be set at a level lower than the previous year's CGS funding. In the interests of equity, such a funding floor should also be applied to the six non-Table A providers. IHEA supports the time limitation of this funding floor, with it not going beyond 2029, which is the end of the proposed transition period. Again, a funding floor or baseline should also be applied to the application of caps to international students under the proposed amendments to the ESOS Bill, and for the same reasons to support a transition that is fair and equitable. The application of transition period for the Managed Growth Funding System, which applies primarily to public universities, but to not afford that transition to the proposed changes regarding international students, represents a concerning inequity, which will ultimately have a greater disadvantage and impact on independent higher education providers.

Given the risk of sanctions to providers for exceeding their MGT and a cap on international students, this is likely to lead to providers intentionally under-enrolling in both cohorts. The impact of this is that it is expected to impact providers' ongoing caps and inability to enrol students moving forward. This is likely to cause an ongoing impact to non-Table A providers, in particular.

## Who We Are

Independent Higher Education Australia Ltd. (IHEA) is a peak body established in 2001 to represent Australian independent (private sector) higher education institutions. Our membership spans independent universities, university colleges and other institutes of higher education, all of which are registered higher education providers accredited by the national higher education regulator, TEQSA or associate members seeking registration.

Our Vision is that: students, domestic and international, have open and equitable access to world class independent higher education in Australia, built on the foundations of equity, choice, and diversity.

Our Mission is to represent independent higher education and promote recognition and respect of independent providers as they contribute to Australian education, the Australian economy, and to society in general. We achieve this by promoting continuous improvement of academic and quality standards within member institutions, by advocating equity for their staff and students, and by delivering services that further strengthen independent providers' reputations as innovative, sustainable, and responsive to the needs of industry and other relevant stakeholders in both higher education and vocational education and training. IHEA's commitment is to excellence, productivity and growth in independent higher education being delivered through a trusted Australian education system underpinned by equity, choice, and diversity.

IHEA members have different missions, scales, and course offerings across the full AQF range (Diplomas to Doctorates). Members comprise:

- Four private universities (Bond University, Torrens University, University of Divinity, Avondale University).
- Six University Colleges (Alphacrucis University College, Moore Theological College, Australian College of Theology, Sydney College of Divinity, SAE University College and the Australian College of Applied Professions).
- Six self-accrediting institutes of higher education (Griffith College, Kaplan Business School, Marcus Oldham College, Excelsia College, The College of Law, and the Australian College of Applied Professions).
- Sixty eight not-for-profit and for-profit institutions of Higher Education; and related corporate entities.

IHEA members teach approximately 74 percent of the students in the independent sector (i.e., more than 130,000 students) and educate students in a range of disciplines, including law, agricultural science, architecture, business, accounting, tourism and hospitality, education, health sciences, theology, creative arts, information technology, and social sciences.

IHEA holds a unique position in higher education as a representative peak body of higher education providers. Membership in IHEA is only open to providers registered with the Australian regulator – TEQSA. However, some IHEA members are dual and multi-sector providers who also deliver VET and/or English Language Intensive Courses for Overseas Students (ELICOS) courses.

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