



Better university funding arrangements: A funding envelope for Commonwealth supported places (CSPs)

Overview

Under the Job-ready Graduates Package (the package), and subject to the passage of legislation, the Australian Government is providing Table A universities with a flexible funding envelope for all CSPs, excluding medical courses. This measure will provide greater flexibility for universities to respond to the needs of students and employers. This extends the measure implemented as part of the Government's Higher Education Relief Package announced in April 2020.

Under this measure, universities will have the option of offering places within their funding envelope in whichever discipline or level (sub-bachelor, bachelor and postgraduate) they wish, without seeking prior approval from the Minister. Universities will also be able to trade places with other universities on a cost-neutral basis.

Importantly, this measure will change the indexation on bachelor level funding from growth in the 18 to 64 year old population, to CPI. This brings all funding within the envelope onto the same indexation terms, and ensures funding for CSPs is maintained in real terms.

Enabling places will not be reduced. However, while they will not be allowed to transfer their CSPs from other course levels, enabling place universities may transfer enabling places to other course levels within the envelope.

The funding envelope will commence from 1 January 2021.

Frequently asked questions: students

What is the impact of this policy on the higher education sector and for students?

The Government's policy will make the system more efficient and flexible. Universities, not the Government, are in the best position to know the demand of local students and employers, and the funding envelope will give universities more autonomy to offer courses that students want to study, at the right level for local communities.

In some cases in the past, universities have been under-enrolled for one course type, and over-enrolled for another course type. That means that funding is not being used where it is most needed and courses may not be offered where there is demand for them. This new policy will address this inefficient distribution and improve the course choices available to students.

Frequently asked questions: providers

Why is this measure necessary?

Providing a funding envelope for non-medical teaching and learning at universities, regardless of course type or course level, offers real flexibility for universities to deliver courses appropriate for their local communities. Universities are in the best position to understand local demand for higher education, and understand local business and industry needs for graduate skills.

Transfer of CSPs within a university's envelope: what are universities allowed to do?

Letting universities decide how CSPs should be distributed across levels within their funding envelope is an extension of existing policy. Under this measure, non-medical courses at bachelor, postgraduate coursework and sub-bachelor (diploma, advanced diploma, and associate degree) levels, will not have any allocated places in funding agreements. This means universities can deliver the mix of course levels that is most appropriate for their students and communities, within a fixed maximum level of funding (the envelope). There will not be any minimum or maximum levels of delivery specified for courses at each level. However, the Department will monitor delivery with a view to informing the Government on the success of the initiative.

The exceptions to this arrangement are for enabling courses, which will be limited to a maximum load as set out in funding agreements. However, if universities wish to deliver fewer enabling places and more places at other levels, this would be permitted. Such “under-delivery” of enabling places would not affect the maximum level as set out in funding agreements for future years, but payments of enabling loading within the Indigenous Regional Low SES Attainment Fund (IRLSAF) will be reconciled against actual delivery of enabling courses. Under current arrangements the enabling loading is not reconciled against delivery.

Can universities trade places with another university?

Yes. Universities will continue to be allowed to seek trades with other Table A universities, with oversight by the Minister of any proposed trades.

Any trading of Commonwealth supported places between universities would need to be cost neutral. As the envelope will be a total amount of funding, rather than a specific number of places, any trade in places between universities would effectively be a transfer of CGS funding, with respective increases and reductions in each university's maximum envelope amount. In the case of enabling places, any trade would include the CGS cluster funding along with the associated allocation of enabling loading within the IRLSAF.

Universities involved in a transfer would negotiate mutually agreeable terms for the trade (that do not breach any legal or ethical obligations) and then notify the department of the agreement. For

example, a university could offer to purchase places at a negotiated price with another university or offer access to infrastructure or services in exchange for ongoing CGS funding.

Will the CPI growth on bachelor-level funding be in addition to the population growth rate associated with the performance-based funding (PBF) scheme?

The funding envelope ensures that all funding for CSPs is indexed at the same rate, i.e., at CPI, which greatly simplifies funding to universities for teaching and learning. This will mean an increase in indexation of funding for non-medical bachelor places, which is currently indexed by the population growth rate of 18-64 year olds.

From 2021, the PBF scheme will be adjusted to make approximately \$80 million amount of growth funding per year contingent on performance requirements. Performance funding will grow each year to a total equivalent to 7.5 per cent of funding for domestic, non-medical bachelor places to incentivise university performance. This measure is in line with the PBF model implemented in 2020.

How will medical CSPs be regulated under this policy? Can universities use the flexibility under the funding envelope model to increase medical place allocations?

Universities will not be able to transfer their allocated CSPs from their bachelor, sub-bachelor or postgraduate allocation to medical places. The Australian Government regulates the number of medical CSPs in order to manage the number of clinical placements and the flow-on impact on the health budget. Medical CSPs will continue to be regulated under the funding envelope model.

How will the load estimates and reporting requirements change under the funding envelope policy?

Universities will continue to report load estimates to receive advance payments under this policy. The final details of the load estimates process, including PFS and HEPCAT processes, will be finalised ahead of implementation of the policy (from 1 January 2021), to give sufficient time for universities to prepare.

The *Higher Education Support Act 2003* is very clear about the distinction between funding for designated courses and non-designated courses. How will the new policy fit within this framework?

This policy, together with other measures in the reform package, will require significant changes to the *Higher Education Support Act 2003* (HESA) and associated guidelines.

Indexation of non-designated funding was contingent on performance, under the Performance-based funding scheme. Will that still apply to the proposed CPI indexation?

The performance-based funding (PBF) scheme will still be part of the new reforms so that universities will continue to focus sufficient attention on the quality of their teaching and student support to ultimately achieve the best possible graduate outcomes.

Previously the PBF scheme applied to the indexation of non-designated MBGAs (at the population growth rate of 18–64 year olds). Under the reform package, this scheme will be adjusted to make an amount of growth funding contingent on performance requirements from 2021. The PBF scheme will be adjusted to make approximately \$80 million amount of growth funding per year contingent on performance requirements and grow each year to a total equivalent to 7.5 per cent of funding for domestic, non-medical bachelor places to incentivise university performance. This is in line with the PBF model implemented in 2020.