

6 September 2024

Senate Education and Employment Legislation Committee

Inquiry into the Universities Accord (Student Support and Other Measures) Bill 2024

Dear Committee

Universities Australia (UA) welcomes the opportunity to provide input into the Senate Education and Employment Legislation Committee's inquiry into the provisions of the Universities Accord (Student Support and Other Measures) Bill 2024.

The Minister indicated in his second reading speech that measures in this Bill are the first stage of implementing the Australian Universities Accord.

Four of the proposals seek to improve aspects of current higher education arrangements, in particular to make those arrangements fairer.

Three of these proposals make changes to:

- the indexation arrangements for HELP debts. The changes are being applied consistently across all student loans schemes and so have implications for some students in the vocational education and training (VET) sector;
- how Student Services and Amenities Fees (SSAF) are to be used; and
- the funding arrangements for enabling courses.

The fourth proposal relates to the proposed new Commonwealth Prac Payment. It inserts provisions which will enable the government to make grants to universities and other bodies for the purpose of providing payments to students who must undertake mandatory practicums to meet entry-to-practice professional accreditation requirements as part of their course of study. These courses of study may be delivered in either the higher education or VET sector. UA understands that the enabling provisions in this Bill implement the Commonwealth Prac Payment in the higher education sector only.

There is a fifth proposal in the Bill which is designed to facilitate the merger of The University of Adelaide and the University of South Australia into Adelaide University. It puts in place transition arrangements and seeks to provide continuity of benefits to students.

UA supports the proposed changes to the indexation of student loan debts and the changes to facilitate the creation of the Adelaide University. It has no further comments to add on those matters.

UA is generally supportive of the three other proposals, but they raise substantive issues for the operations of universities. Our concerns are explored in this submission and relate to matters of implementation, policy and administrative details and longer-term implications.

UA recommends that the proposals for the Commonwealth Prac Payment and the FEE FREE Uni Ready courses proceed, but that the changes to how the SSAF is used be deferred until the proposal has been further developed in consultation with the sector.



Use of Student Services and Amenities Fees (SSAF)

UA recommends that changes to how the SSAF is used be deferred until the proposal has been further developed in consultation with the sector because of substantial concerns raised by UA's members.

The Bill proposes that higher education providers must allocate at least 40 per cent of student services and amenities fees to student led organisations. It includes transitional arrangements that allow providers to apply to the Secretary for a determination that they should be subject to a lower amount (potentially zero). Table A providers may do this for up to three years and other providers for up to five years. Before making such a determination the Secretary must be satisfied that the provider:

- would not be able to maintain key services at an appropriate level during the year/s; and
- has in place a transition plan that will enable it to comply after the period of the determination.

Many of our members currently allocate less than 40 per cent of SSAF funds to student-led organisations and do not support the proposal. Our members are concerned that:

- In some cases, appropriate student-led organisations do not exist or do not exist to the scale required to implement the policy.
- In other cases, the organisations lack the professionalism and stability required to appropriately manage the quantum of funds involved, and to effectively provide the required services. This is partially driven by factors like normal turnover in the leadership of student led organisations, and students having other priorities (for example their studies).
- Student-led organisations may not be responsive to the entire spectrum of demand for student services. Universities that have large numbers of students at multiple campuses, in regional areas, studying online and/or who have high needs were concerned the proposal may result in significant service cuts in areas where demand for services are highest. There are cases where consulted students requested funds not be given to central student-led organisations for fear this would result in service loss.
- Universities will lose the ability to withdraw funds from student-led organisations that become dysfunctional, fail to serve students, or become inappropriately influenced by parties outside the student body. They are concerned the proposed policy has the potential to lead to significant, negative and unintended consequences in the future.

Where effective student-led organisations have not existed, some universities have set up bespoke, separate, "student focused organisations" that are responsible for providing services. The funding provided to these organisations would not be counted towards the 40 per cent requirement.

The reallocation of funds required by this proposal would in some cases result in layoffs of university staff. It is difficult to speculate on the employment arrangements that might be put in place by student led organisations.

Universities which do not currently meet the requirement and do not support it expect the quality, quantity, coverage, responsiveness and reliability of student services to deteriorate if the requirement is put in place in its current form.

UA supports university campuses having active and highly functioning student-led organisations and believes they can enhance the quality of the university experience and are an important part of campus life.

UA does not wish to see reductions in important services for regional students or students with high needs and notes that this would be at odds with the directions proposed by the Australian Universities Accord and supported by the Government. UA is not convinced that the transitional arrangements adequately deal with the substance of the concerns raised by our members.

Funding arrangements for enabling courses (FEE-FREE Uni Ready courses)

UA recommends that the optimal approach to funding and expanding fee free preparatory places be further considered in the development of new funding arrangements to replace those of Job-ready Graduates Package.

FEE-FREE Uni Ready Courses are currently referred to as enabling courses in the *Higher Education Support Act 2003* (HESA). The proposal in this Bill introduces a new name for enabling courses and changes their funding arrangements.

The Bill partially implements Recommendation 12 from the Australian Universities Accord final report. It recommended that fee-free preparatory places be significantly increased, and that the number of Commonwealth supported preparatory places be expanded to meet demand from students and funding reflect the cost of delivering these places.



Under current arrangements, a Commonwealth supported enabling place receives the standard government subsidy for the relevant discipline. Students do not make a student contribution. In lieu of the student contribution, the Government pays a flat rate of enabling loading for a full-time student place, irrespective of discipline. This loading is a significant discount on the average amount of student contribution that a university would receive for other standard places. In 2024, the enabling loading is just under \$3,900 per place.

The Job-ready Graduates Package (JRG) changes, on average, reduced funding for Commonwealth supported enabling places. While the actual result for a place in a particular discipline depended on how its discipline rate changed, the aggregate reduction in funding for enabling places can be demonstrated by examining the profile of places across disciplines. There was no commensurate increase in the amount of enabling loading.

One estimate of the JRG funding reduction provided to UA is that it was around \$25 million per year based on 2019 student load. The Government's estimate of the additional funding provided for FEE-FREE Uni Ready Courses is around \$100 million extra per year. This additional funding is to cover both the increase in the average funding rate and the cost of additional places.

The proposal in the Bill will set a single rate of \$18,278 in 2025 for all Commonwealth enabling places, irrespective of discipline. The rate incorporates the enabling loading and there will continue to be no student contribution. UA has estimated that the average Commonwealth supported place in 2022 received around \$21,750 in funding, including the student contribution.

The proposed single rate will improve funding for enabling courses in some disciplines and reduce it in others. On average, it will increase the funding for enabling courses on the assumption that universities are operating within their maximum basic grant amount (MBGA).

It is important to understand that the legislation does not provide for places in FEE-FREE Uni Ready Courses to be demand driven. The new single rate of funding will be counted for the purposes of the MBGA and an enabling place provided in excess of that limit would receive no funding.

UA understands that 2025 funding agreements will need to consider the adjustment of MBGAs to incorporate the enabling loading for current enabling places and any further expansion in enabling places. UA notes that the Department of Education can specify in university funding agreements a minimum or maximum number of enabling places.

The Government has indicated that it expects this proposal will result in 30,000 students studying in FEE-FREE Uni Ready Courses each year by 2030. The number of domestic enabling students decreased from 28,699 in 2019 to 20,130 in 2022. This reduction was likely due to a number of factors, including the JRG changes, cost of living pressures and the strong post-pandemic labour market which has reduced overall student demand.

Enabling students tend to study part-time, many doing less than half a full-time study load. Consequently, the number of enabling places has dropped from 13,312 in 2019 to 8,509 in 2022. Roughly 95 per cent of these places are Commonwealth supported, with the remainder being fee paying places.

The new Commonwealth Prac Payment

UA recommends that:

- there be a post-implementation review of the Commonwealth Prac Payment after its first year of operation and that the program be further developed, expanded and refined over time, with a full evaluation after three years of operation;
- to fulfill the policy intent of the payments, they are made tax-exempt; and
- the government develop an alternative method to universities delivering the payment which covers practicums across both higher education and VET.

This new payment is a significant development in supporting students who must as part of their course obtain practical experience in a work environment for the purpose of obtaining entry to their chosen profession. It is designed to support students for whom a practicum placement imposes significant cost of living pressure which may, ultimately, prevent the student from completing their study. In its current format, the payment supports students from four disciplines. However, there are a number of other disciplines where students must undertake compulsory placements to enter a profession. As such, this measure partially implements Recommendation 14 from the Australian Universities Accord final report.

Universities are being asked to deliver this payment to eligible higher education students. UA notes that this is another example of the Government asking universities to provide a service delivery function for government. This is a contributor to universities having significant levels of professional, rather than academic, staff. It requires resources (administrative staff, IT systems for payments and financial controls, and appropriate audit and compliance arrangements). UA notes that the Government is proposing to make a contribution towards these costs.



While the broad parameters of the program have been set by the Government, work is currently underway to settle policy and administrative details. The amendments to the HESA will enable the program to proceed but provide no real detail about the program. The next level of detail will be contained in the amendments to the *Other Grants Guidelines* which are made under Part 2–3 of HESA. UA notes that the Government is currently consulting sector stakeholders on these matters. Effective administration of the program will rely on these details being determined in close consultation with the sector and are likely to require a bedding down/trial period to refine processes which work best for all involved.

Major issues being considered in the current consultations are:

- **Means-testing and delivery of the payment**

As currently proposed, these will require students who wish to establish their eligibility for the payment to provide details concerning their financial affairs and/or work activity to their university. This may raise privacy concerns for some students. Universities will need to protect this information.

Universities are not experts in administering means tests and would prefer not to have this function. Some have argued strongly that universities are not well placed – and should not be expected to administer this payment. While the idea of an alternative delivery agency has been canvassed in consultations, no obvious candidate has been identified that could deliver the payment in a timely manner. Timeliness in assessing eligibility and making payments is necessary to ensuring the policy objective is met.

Sector stakeholders have requested that the financial eligibility criteria be clear and simple, both from the perspective of students who will have to substantiate their eligibility and universities who will have to assess eligibility.

Students who fall just outside such criteria are likely to contest the outcome. Some ineligible students may genuinely be able to demonstrate they will be in hardship while undertaking their practicum.

- **Eligibility in general, administrative fairness and review and appeals**

All universities are strongly advocating for eligibility criteria to be clear and simple, as indicated in respect of means testing, and for funding to be available to cover all eligible students. These features are critical to ensuring ease of administration as they avoid the need to identify highest priority cases, and the disadvantages associated with 'first-in' systems. For efficiency and effectiveness, universities need the payment to be easy to administer. Without this, there is a risk that large numbers of students will appeal payment decisions, which will result in significant costs and administrative burdens.

As announced in the 2024–25 Budget, the new Commonwealth Prac Payment will only be available to students in the identified priority areas of teaching, nursing, midwifery, and social work, with the payment to be available from 1 July 2025.

The Government has indicated that up to 68,000 higher education students and over 5,000 VET students will be eligible for this financial relief of \$319.50 a week. It has estimated the cost to be \$427.4 million over the forward estimates – \$369.2 million to support higher education students and \$58.2m to support VET students.

UA notes that estimating the cost of the program would have been difficult. It has been assured that grant funding will be available to cover all eligible students within the four nominated disciplines. UA notes that the proposed Bill does not stipulate that resourcing for the payment is demand driven. Should the need arise, the Government will need to utilise other processes to ensure adequate funding is available.

There is likely to be pressure to extend the payment to other in demand professions that require mandatory practicums in courses of study to meet professional accreditation requirements. Students seeking to enter these professions may similarly experience cost of living pressures making it difficult for them to complete their courses. They will likely argue that their ineligibility for the payment is unfair.

UA believes that there is a strong case for broadening this type of support to other disciplines over time and notes that there are likely to be strong workforce development reasons to do so.

- **Taxation status of the payment**

UA understands that the payment will be taxable. Students will need to be advised of this. Universities will need to be advised of any ATO requirements relevant to the program's administration. UA notes that taxation of the payment reduces its value to students and results in a lowering of the net cost of the payment to the government. We recommend that to fulfill the policy intent of the payments, they are made tax-exempt.



• **Relationship to other programs, in particular health and state/territory government programs support rural health provision**

There are currently a range of Commonwealth and State/Territory programs in place which broadly aim to deal with workforce shortages, especially, but not limited to, those in rural areas. Examples include the Department of Health and Aged Care (DOHAC) administered Rural Health Multidisciplinary Training (RHMT) program which aims to improve the recruitment and retention of medical, nursing, dental and allied health professionals in rural and remote Australia and the Victorian Government funding of the not-for-profit Rural Workforce Agency Victoria (RWAV) which provides Rural Clinical Placement Grants.

Universities are often involved in supporting students to undertake clinical placements in such areas. They may use funds from the above programs or their own funds to help students, for example in respect of accommodation or relocation costs.

These arrangements to reduce workforce shortages in rural and other areas have developed over time and are not primarily directed at reducing cost of living issues associated with practicums, but there is no clear demarcation between the issues. Universities would not be supportive of any reduction of current programs following introduction of the new prac payment. They are supportive of universities having the flexibility to determine how these different programs best work together.

UA is pleased to note that 2024-25 Budget explanatory material clearly indicated *"The Commonwealth Prac Payment will operate alongside any support the States and Territories currently provide to support students undertaking these courses in different ways; it is not a replacement for these initiatives."*

The appropriateness and performance of universities in delivering the Commonwealth Prac Payment will depend on the final policy and administrative parameters for the program. Experience in delivering the program is likely to be critical to informing its longer term future development.

Yours sincerely

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