

The University of Sydney, feedback on the Commonwealth Department of Education’s New Managed Growth Funding Consultation Paper, August 2024

Table of contents

Executive summary	1
Recommendations	2
Implementing MGTs	3
Managed demand driven funding for equity students	4
Supporting Aboriginal and Torres Strait Islander students	4
Supporting regional education	5
Transition and institutional sustainability	5
Medical Commonwealth-supported Places	5
Conclusion	7
Endnotes	7

* * * * *

Executive summary

The University of Sydney is pleased to provide feedback on the Department of Education’s New Managed Growth Funding Implementation Consultation Paper.¹ The University supports the Go8’s combined submission on the Department’s Managed Growth Funding System (**MGFS**) and related Needs-based Funding System (**NBFS**) reform proposals, which we have contributed to and seek to complement through our feedback to both consultation papers.

The University is strongly aligned with the Government’s ambition to significantly increase tertiary education participation and attainment, committing to pathways that ensure a greater diversity of students succeed at Sydney through our 2032 Strategy².

We also support the development of a sustainable funding system for higher education that will increase participation, meet Australia’s skills needs, maximise student agency and provider autonomy, and support equity in higher education. It is critical that any new model is co-developed with the sector based on principles of transparency, accountability, practicality, fairness and student centricity.

The University agrees with the Accord Final Report finding that,

“The current funding model does not provide for sufficient fully funded growth in enrolments to meet the nation’s skills needs, with growth occurring in unplanned and unmanaged ways. The relatively low current demand for places highlights the need for a system that plans for, and delivers, growth in skills with equity” (p.281).

We suggest though, that while any new model must meet the Government’s fiscal and equity priorities, it must also give universities the funding certainty and flexibility they need to operate effectively.

The Accord conceived of Managed Growth Funding (**MGF**) as part of an integrated package of reforms, which included boosting demand for tertiary education from school leavers, addressing the unfairness of the Job-ready Graduates Package (**JRG**) and improving the student income support

system. The Department's proposed model for MGF does not comprehensively address these and other key barriers to participation for students from under-represented backgrounds.

The Consultation Paper outlines a new funding model for universities where a system-wide pool of CSPs is set by the government and Managed Growth Targets (**MGTs**) are negotiated with each provider, as well as a demand-driven system for equity students. While the University would broadly support this model, there are many aspects of the proposal that require further consideration. This submission provides high-level feedback to assist the Department and continues to refine the design of a new funding model for consideration by the Australian Tertiary Education Commission (**ATEC**) Implementation Advisory Committee and ultimately the ATEC once established.

The University of Sydney strongly supports the Government's attainment objectives of 80 per cent of adults with a tertiary qualification by 2050 and suggests that to achieve this, the funding system must prioritise student flexibility, choice, agency and tailored financial and academic support, as this will lead to greater participation and success in tertiary education, particularly among First People and the other cohorts the Government has committed to prioritising.

Recommendations

- A Tolerance Band would be preferable to hard caps with Managed Growth stretch targets at the top and a funding floor at the bottom to better reflect complexities of load planning and to avoid unintentional consequences of systemic under-enrolment to avoid breaching caps.
- Ensure MGTs are negotiated fairly, are student-focused, enable student choice and participation (including a strong commitment to retention and success) rather than limiting sector market dynamics.
- Consider a truly demand-driven system for students from all of the Government's targeted under-represented cohorts.
- Recognise that tailored academic support for First People and the other under-represented groups is essential to ensuring successful completion.
- Implementation should reflect the reality of admission timelines and complexity to ensure sufficient lead times are provided for effective student communication, including consideration of equity students and how the enrolment process will practically work for them.
- Articulate how the MGFS interacts with the proposed international caps system and ensure that implementing both systems allows institutions to undertake comprehensive business planning. A properly configured ATEC should arrive at a robust new funding model that puts student choice first, stimulates demand for tertiary education, and encapsulates appropriate funding clusters, student contribution amounts, a funding floor, and settings that integrate well with the international caps system for planning purposes.

Managed Growth Targets

Under the MGFS, MGTs, expressed in EFTSL, will be negotiated with providers and adjusted over time "in response to student demand dynamics, provider performance and other market structure issues" (Consultation Paper, **p.3**).

The proposed model responds to a perception that over-enrolling students "...creates adverse flow-on impacts for the whole [education] system" (Consultation Paper, **p.1**). In fact, over-enrolment is not a significant problem for the sector because it allows universities to respond to student demand and achieve better economies of scale in terms of teaching costs per student. The Department of Education estimates that in 2021, 24 universities were over-enrolled by a total of 22,000 EFTSL over their Maximum Basic Grant Amount (MBGA).

The Department considers over-enrolment an issue because some universities are under-enrolled and others are over-enrolled. It is important to understand that the funding system is essentially a 'supply-side' mechanism that supports higher education providers and seeks to drive particular public good outcomes (such as equity and growth) through supply-side incentives and controls.

The *Accord Report - Higher Education Teaching and Scholarship – Proposed New Funding Model* paper

(p.15), developed by the James Martin Institute for Public Policy for the Universities' Accord explains that,

... the funding system is not well placed to stimulate demand from students – especially at a time when there is little or no un-met demand for higher education. 96% of students that apply to university currently receive an offer to study. This means that if we want to grow the system, we have to stimulate new and additional demand, as outlined in the Accord's Interim Report.³

As that paper noted and the University stressed in various submissions to the Accord, boosting demand at institutions that are under-enrolled is a demand-side challenge. Addressing it will require a major concerted effort over the next 10-20 years across all levels of our education system and should sit outside of the teaching funding system for higher education institutions. It is overly simplistic to assume that limiting places at one university will necessarily drive growth at another.

Under the current system, the ability of universities to enrol students beyond the number of CSPs allocated to them allows for flexibility to respond to student demand and facilitates greater student choice and access. The University of Sydney believes that if a student wishes to undertake a course, and if the institution can accommodate it, then the system should allow them to be enrolled. This is consistent with increasing participation rates, particularly for equity students. Further, student agency to determining the course and institution of study is likely to build higher engagement from the student in their higher education journey.

Furthermore, there is a risk that a hard-caps model may lead providers to under-enroll to avoid breaching the caps, which is not consistent with increasing participation.

If student demand exceeds the MGTs and there is no additional funding for over-enrolment, universities will need to increase admission requirements. This will result in denying offers to capable students who would have otherwise been eligible. Students from low socio-economic backgrounds will be disproportionately affected. An important consideration will be to avoid inadvertently creating a classroom divide where entry cut offs for non-equity students become disproportionately high.

The University recommends that rather than adopting a hard-caps model, which would be difficult for both the Department and providers to implement, a "Tolerance Band" or buffer model would be a more favourable approach in practice and would minimise risk of systemic under-enrolment to avoid breaches.

In the setting of any 'hard-caps' there will be a need to articulate to providers what avenues exist for the delivery of new products or services or teaching at additional locations and the process to request additional places.

Implementing MGTs

The Consultation Paper describes how MGTs will be negotiated with institutions through the mission-based compacts process. We are supportive of the proposed continued flexibility to allow the movement of places between courses and levels, as this allows providers to respond better to demand from students when allocating CSPs. This is seen as a positive step to enabling participation.

To effectively support institutional planning, it is crucial to provide sufficient notice and estimates for future years to allow adequate preparation. Timetabling, teaching space, and resource planning

require significant lead time. Institutional student load planning occurs in July, so receiving the necessary MGT by that time is essential.

In addition to aiding institutional planning, timely notice of MGT is necessary to provide prospective students with clear information about their potential eligibility. To support the teams responsible for communications, it is important to have an understanding of future MGT by May or June of the preceding year.

Student load planning is complex and influenced by external factors affecting demand. MGTs should be set with an understanding of the error margins inherent in forecasting. The consideration of Equivalent Full-Time Student Load (EFTSL) for MGT adds further complexity, as one enrolment may not equate to a full-time load, and students can alter their load during their enrolment, impacting the institution's overall load position.

Managed demand driven funding for equity students

The University of Sydney strongly supports the Government's aspiration to increase participation of students who are under-represented in higher education including a commitment to fund a place for every Indigenous, low SES and regional/remote student, and students with a disability.

However, the proposed 'managed demand driven' funding model for equity students, where students will be guaranteed a place, but not at their preferred institution, is highly problematic. The convoluted, decentralised nature of the offer and enrolment process will be difficult for the government and providers to manage given the relatively short enrolment timeframes for domestic students. In determining the administrative framework, it should be noted that Tertiary Admission Centres are currently not set up to do this work. Defining student eligibility is another challenge, for example, the proposed location-based measure does not accurately reflect Low SES status. Government agencies separate to providers are best placed to identify and confirm eligibility. If clear eligibility pathways are not identified, frustrating delays and inconsistent application of funding will be likely.

Critically, limiting a student's choice to a defined "student catchment area" will act as a barrier for those who do not receive a place at a university of their choice. The new funding model should not be more complex than the current framework and it certainly should not negatively impact the student application and enrolment experience.

The University recommends that the Department implement a truly demand-driven system for equity students that facilitates student choice and allows students to study at the institution of their choice. We suggest that the current approach, which supports accommodating demand without restrictive caps, is appropriate until any evidence suggests otherwise. We advocate for flexibility to accommodate demand-driven enrolments to maximise participation of under-represented cohorts in higher education.

Supporting participation and success by Australia's First People

It is vital to acknowledge the complexity of disadvantage and the limitations that Australia's First People face in tertiary education. The generational, cumulative nature of the disadvantage they face accessing and succeeding in education at all levels manifests as a complex and enduring cycle that builds upon historical and systemic barriers. First People often face compounded challenges due to the legacies of colonialism, such as disrupted access to quality education, socioeconomic disparities, geographic isolation and cultural dislocation. These obstacles are not isolated incidents but rather part of a broader pattern where each generation encounters new forms of disadvantage, reinforcing the difficulties faced by subsequent ones. As a result, Indigenous students may struggle with a lack of representation, inadequate support systems, and limited resources, all of which perpetuate lower rates of participation and success in higher education. Addressing these issues holistically requires recognition of the importance of self-determination and a concerted effort to break this cycle by implementing systemic reforms, fostering inclusive practices, and ensuring that educational institutions actively work to dismantle the barriers that continue to impede the progress of Australia's First People.

Supporting regional education

The University of Sydney has had an established presence in regional areas for many decades including in Armidale (the University of New England began as a college of the University of Sydney in 1935), in Dubbo/Orange, where the four-year Doctor of Medicine offered at the School of Rural Health attracts a diverse group of students, including both First People and those with ties to the region, in Broken Hill, Lismore, Narrabri and other regional locations. We also provide for a range of scholarships for regional and remote students as part of a commitment to increasing the participation of students from regional areas at our university.

The University recognises the critical importance of regional education and supports a funding system that takes into account the higher costs of providing regional education.

The [Transparency in Higher Education Expenditure](#) studies prepared annually for the Department by Deloitte Access Economics indicated that *regionality* is one of at least four variables that have been found to be statistically significant drivers of differences in universities' delivery costs. Deloitte's latest publicly available report (2022, covering 2019 and 2020) found that universities that operate predominantly in regional settings often face distinctive local contexts including: *'less readily available scale economies due to thin markets and lower populations; a higher share of distance or online learning; potentially lower per unit capital and/or labour costs; a greater need for student support as many regional universities may cater to a more disadvantaged student cohort'*.⁴ However, Deloitte also found that while regional universities' delivery costs for bachelor degree students were 10 per cent higher than metropolitan universities per EFTSL, for postgraduate students regional universities' costs were about 8 per cent less when compared to metropolitan universities (p.74).

Universities operating regional campuses already receive a per-student funding amount for all Commonwealth-supported students under the Regional Loading Program. However, the Consultation Paper does not mention this program or whether it has been adequate in meeting the additional costs of regional provision. ATEC should independently evaluate this program as part of its work to identify and confirm the reasonable additional costs incurred by providers delivering courses in regional locations, including to students from the targeted under-represented cohorts. This should include providers with multiple campuses and whether or not students are studying on-campus or online. The evaluation should aim to support a coherent regional loading calculation that can be used for all higher education providers that enroll Commonwealth-supported students at regional, rural or remote locations.

Transition and institutional sustainability

The University agrees that it is critical to provide a 'glide path' for the sector to transition to a new funding model. The Accord Final Report recommended that *'MGTs are intended to be genuine growth targets that support the growth of the system to 2050'* and we anticipate that institutions that are currently over-enrolled will receive an MGT that fully covers the known load requirements. The University has worked to improve access and in 2024 is projected to fully utilise the funding and likely to be over-enrolled. If MGTs are intended to be set below current load profiles, we then advocate strongly that in order to support the continuing cohort, transition funding will be key to financial sustainability.

We also support communication of a temporary guarantee funding floor as the sector transitions to the new funding model.

Longer-term sustainability for providers will rely on sufficient lead times of MGT to appropriately plan and respond.

Medical Commonwealth-supported Places

The Consultation Paper proposes that the new approach for the determination and allocation of Commonwealth-supported places will include consideration of whether long-term growth in enrolments

in the higher education system is on track to, amongst other things, meet Australia’s future skills needs.

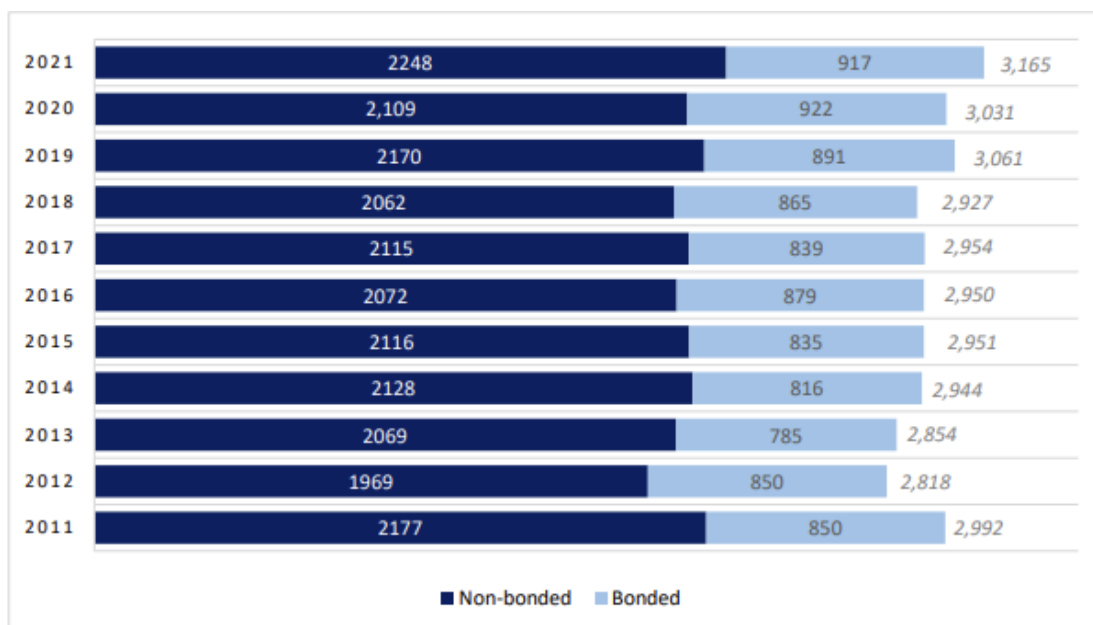
The new proposed system steward, the ATEC, is to decide the managed growth targets and will work with relevant agencies including Jobs and Skills Australia on the identification of skills needs. The ATEC is to ‘bring direction, cohesion and stability to policy making’ and drive ‘a productive economy and society through the delivery of highly skilled and educated graduates’.

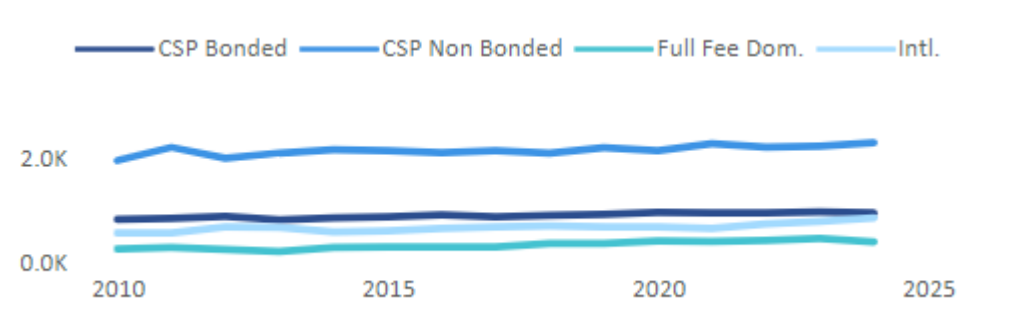
We note that the Consultation Paper does not include any discussion of the mechanism by which medical CSPs will be allocated in the future, though it appears the intention is for them to remain outside the MGFS. Medical CSPs are the only cohort that has never been part of the demand-driven funding system that has operated in the higher education sector since 2010. Throughout this period, Medical CSPs have continued to be ‘managed’ with hard caps set through the Commonwealth’s funding agreement with each university.

The way medical CSPs are handled by the Department provides a useful case study in how challenging it is likely to be for the ATEC or the Government to effectively and efficiently implement a ‘managed growth’ approach to ‘running’ the tertiary education system at scale across all fields of education and professions.

According to Jobs and Skills Australia’s latest data, the occupations of *General Practitioner* and *Medical Practitioner* face significant workforce shortages in every state and territory. As a result of longstanding shortfalls in the domestic supply of medical graduates meeting demand, Australia continues to rely heavily on internationally qualified practitioners, with more than 11,000 overseas trained doctors currently registered, representing close to 10 per cent of the national medical workforce.⁵ The medical workforce shortages Australia faces are well understood to be most acute for regional and remote communities.

Yet, despite continuing shortfalls, the number of commencing medical CSPs allocated over the previous decade has been relatively flat. The table below shows Australian medical school commencements – by CSP since 2011.





Source: Medical Deans Australia and New Zealand, Student Statistics Report 2020 Snapshot of Findings, p.10

Noting that growth in the allocation of medical CSPs requires the agreement of State and Territory Governments, the undersupply of doctors in regional and outer metropolitan areas, and that fully training a medical professional can take 10-15 years, it is clear that a managed approach to matching the required number of medical CSPs to the workforce requirement and geographic distribution is a complex exercise that requires a long-term approach to planning.

The managed growth funding system proposed in the Consultation Paper will require the Department to undertake this type of planning in all fields of study and for every institution in a way that drives growth in CSPs – something the managed medical CSP places system has not been able to deliver to-date.

Whether medical CSPs are to be allocated within or outside the MGFS in the future, the University recommends that allocation of medical CSPs should be consistent with the 2021-2031 National Medical Workforce Strategy and any recommendations of the proposed National Health Workforce Planning Agency.

Conclusion

The Consultation Paper provides some early thinking on a new funding model for universities. While we support the broad objectives of the model to meet the government’s ambitious attainment targets and increase participation of under-represented groups, the practical realities of implementing MGTs need to be carefully considered to avoid unintended consequences.

Endnotes

¹ Department of Education, 24 June 2024, *New Managed Growth Funding Implementation Consultation Paper*, <https://www.education.gov.au/download/18313/managed-growth-funding-system-implementation-consultation-paper/37991/document/pdf>.

² University of Sydney, *2032 Strategy*, <https://www.sydney.edu.au/content/dam/corporate/documents/about-us/strategy-2032/strategic-plan-2032-final.pdf>.

³ Department of Education and James Martin Institute for Public Policy, 25 June 2024, *Higher Education Teaching and Scholarship Proposed New Funding Model* <https://www.education.gov.au/download/18237/accord-report-higher-education-teaching-and-scholarship-proposed-new-funding-model/37713/document/pdf>, p.15.

⁴ Department of Education, 30 November 2022, *2022 Transparency in Higher Education expenditure for publication*

⁵ <https://www.ahpra.gov.au/Registration/International-practitioners.aspx>, <https://www.ahpra.gov.au/News/2023-08-17--New-workforce-data.aspx>