



Australian Government

The Higher Education Reform Package

May 2017





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The document must be attributed as *The Higher Education Reform Package*

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Minister's foreword



The Australian higher education system is modern and successful. The Times Higher Education World University Rankings 2016–2017 placed six Australian universities in the top 100 with nearly half of all Australian universities in the top 300. The system comprises 43 universities, with 125 non-university providers, supporting 1.4 million students.

Education is Australia's third largest export industry and higher education is the key element of this. In 2016 the value of education export income was at its highest ever level at \$21.8 billion.

The success of Australia's higher education system, however, has come at a price. Since 2009 taxpayer funding for teaching and learning has increased by 71 per cent, twice the rate of growth of the economy as a whole. Around a quarter of student loans are not expected to be repaid unless changes are made. The fair value of outstanding debt now stands at \$36.8 billion and is expected to increase to \$59.7 billion by 2019–20¹.

Further, average funding for universities per student increased by 15 per cent between 2010 and 2015. Over the same period, the cost for universities to deliver courses increased by only 9.5 per cent according to independent analysis from Deloitte Access Economics.

The current funding arrangements are not sustainable and need to be fixed if future generations are to enjoy the benefits of an affordable, world-class higher education. This will require students to share marginally more of the cost, universities to share some of the efficiencies of scale realised in recent years and the debt from growth in student loans will need to be better managed. Commonwealth support needs to be better targeted, ensuring taxpayers are receiving value for money.

Students deserve improved information from which to make an informed choice on the most relevant course of study for them, from enhanced course options with improved support for disadvantage and stronger connectivity to employment outcomes. Students and taxpayers also deserve to have confidence that universities are accountable for the success of their students and efficiency of their administration.

The reform package set out in this document has been developed after substantial consultation and discussion with a broad range of stakeholders.

In May 2016, as part of the 2016–17 Budget, the Government released a policy options paper, *Driving Innovation, Fairness and Excellence in Australian Higher Education*, which outlined options for reform.

1. 2015–16 Department of Education and Training Annual Report, p. 176; 2016–17 Mid-Year Economic and Fiscal Outlook, p. 229

The paper provided an opportunity for a frank and honest discussion about the challenges that face the Australian higher education system and the means to explore potential solutions. Many of the policy initiatives now taken up by the Government were brought forward by participants in this discussion.

In total, 1218 submissions in response to the paper were received prior to the cut-off date comprising contributions from higher education institutions, peak bodies, representative bodies from industry and professions, unions and individuals. The submissions provided a valuable source of ideas on these issues.

These submissions then informed discussions with an expert advisory panel, appointed in October 2016, comprising:

- **Dr Michele Allan**—Director of CSIRO, Chair of Meat & Livestock Australia and Chancellor of Charles Sturt University
- **Professor Peter Noonan**—Mitchell Professorial Fellow at Victoria University and Member of the Expert Panel for the Review of Australian Higher Education
- **Andrew Norton**—Grattan Institute Higher Education Program Director and co-author of the *Review of the Demand Driven Funding System*
- **Professor Sally Walker**—Principal at Deloitte Touche Tohmatsu and former Vice-Chancellor of Deakin University.

This reform package is the product of these consultations and will allow the removal from the forward estimates of all unlegislated measures from the 2014–15 Budget and the 2014–15 Mid-Year Economic and Fiscal Outlook, at a cost of around \$3.5 billion over 2016–17 to 2020–21. The measures outlined in this package provide a total saving of \$2.8 billion in underlying cash terms over 2017–18 to 2020–21.

This integrated package of higher education reforms strikes the right balance. It will continue to support the best features of the current higher education system, underpin a vibrant education export industry, support student career aspirations, and ensure industry has a skilled workforce.

These reforms are fair, drive quality and excellence, and focus on ensuring Australians who want to study have the right support and the right opportunities.

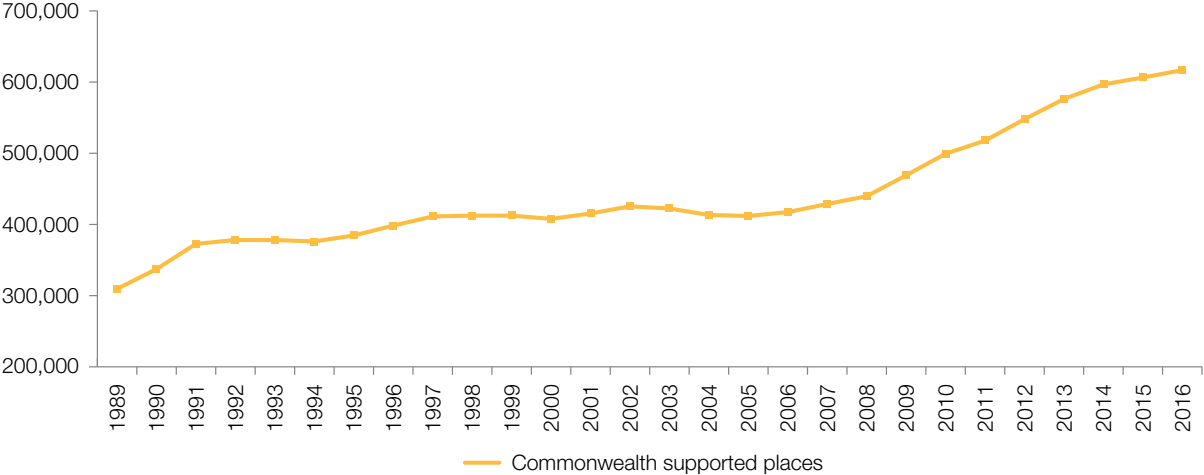


Senator the Hon Simon Birmingham
Minister for Education and Training
1 May 2017

Introduction

The continued growth in student numbers participating in higher education over the last 25 years (see Figure 1), particularly since the introduction of the demand driven system of undergraduate funding in 2009, has created pressure on the Commonwealth budget. Between 2009 and 2016 the number of Commonwealth Supported Places (CSPs) increased by 31.5 per cent.

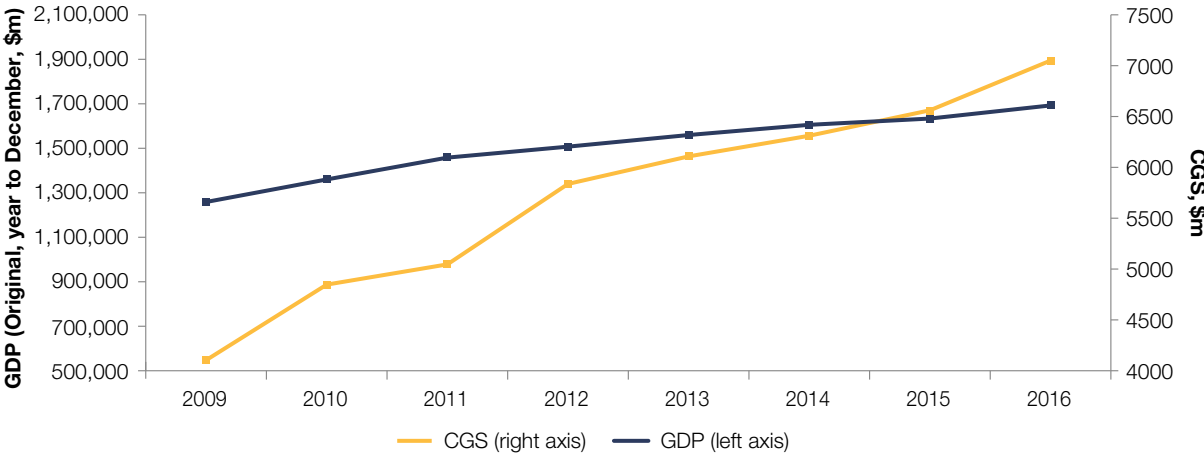
Figure 1: Commonwealth Supported Places (CSPs), 1989–2016



Source: Department of Education and Training data

As a result, over the period 2009 to 2016, growth in Commonwealth Grant Scheme (CGS) expenditure was double the rate of growth in Gross Domestic Product (GDP) (see Figure 2).

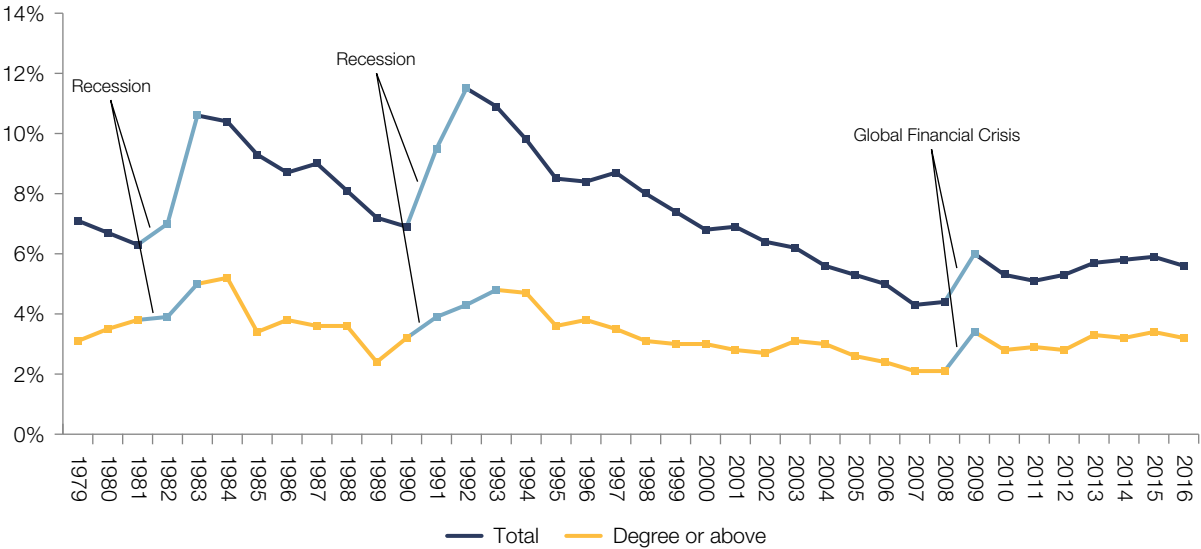
Figure 2: Commonwealth Grant Scheme (CGS) expenditure and Gross Domestic Product (GDP) (\$m)



Source: Based on Department of Education and Training data and ABS, *Australian National Accounts: National Income, Expenditure and Product*, Cat 5206.0

The demand driven system has substantially increased higher education opportunities, with the proportion of 25 to 34 year olds with a bachelor degree increasing to 37 per cent in 2016, up from 24 per cent in 2001. The employment prospects for graduates continue to be better, with a persistent 2–3 per cent advantage in unemployment rates over non-graduates (see Figure 3).

Figure 3: Unemployment rate by educational attainment



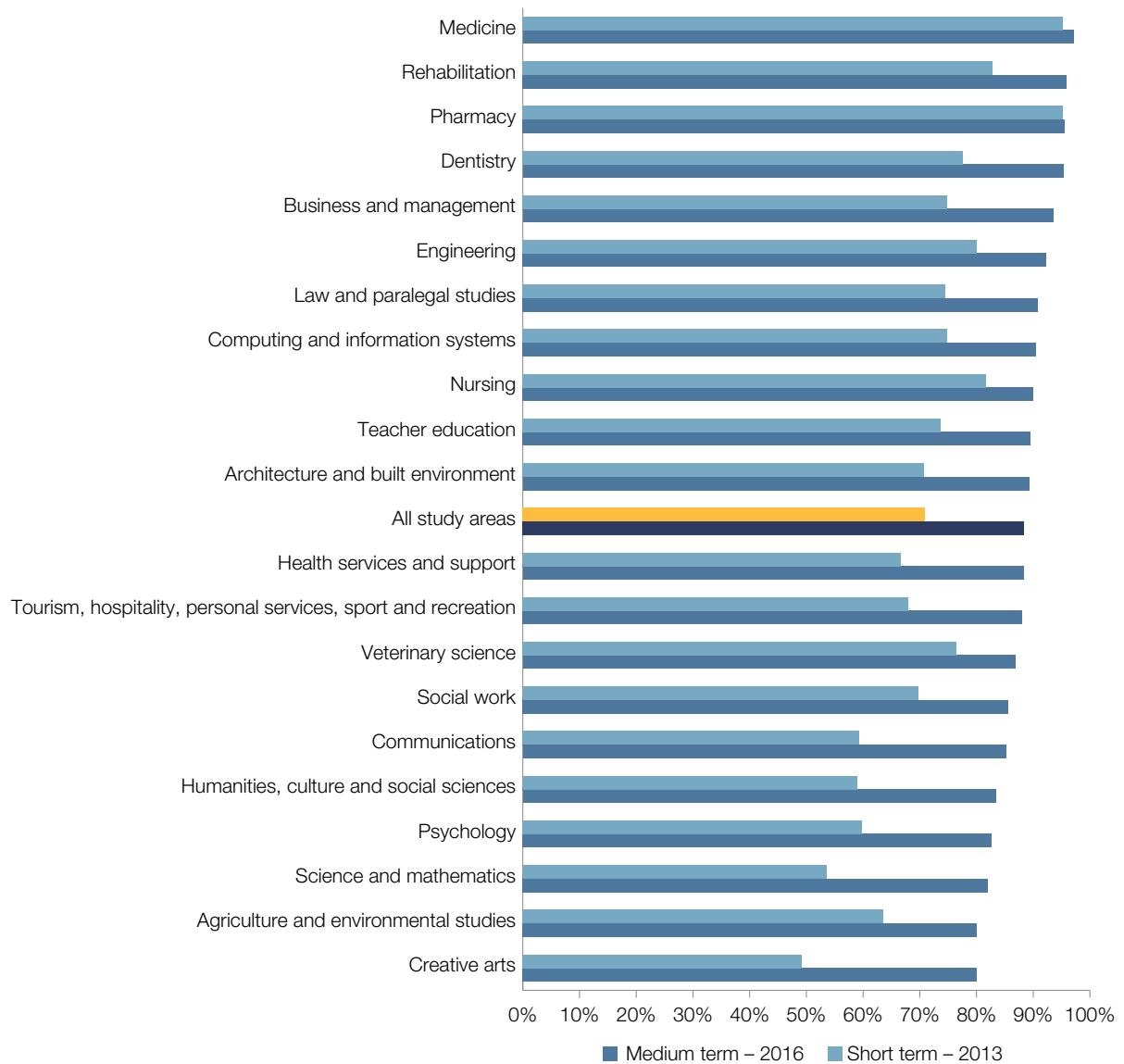
Source: ABS, *Education and Work*, Cat. 6227.0

Figure 4 compares the short-term (2013) and medium-term (2016) full-time employment for 2013 graduates by study area.

This Government supports the continuation of the demand driven system but recognises that its operation can be improved. The substantial funding provided through the demand driven system allows higher education providers the freedom to determine who should be admitted to which courses in what numbers. However, this freedom comes with the twin obligations to admit students to courses in which they can succeed, and to provide quality teaching and support to students during their studies. These reforms provide further incentives, and support further processes, to ensure that this happens, underpinning the substantial investment in higher education made by taxpayers.

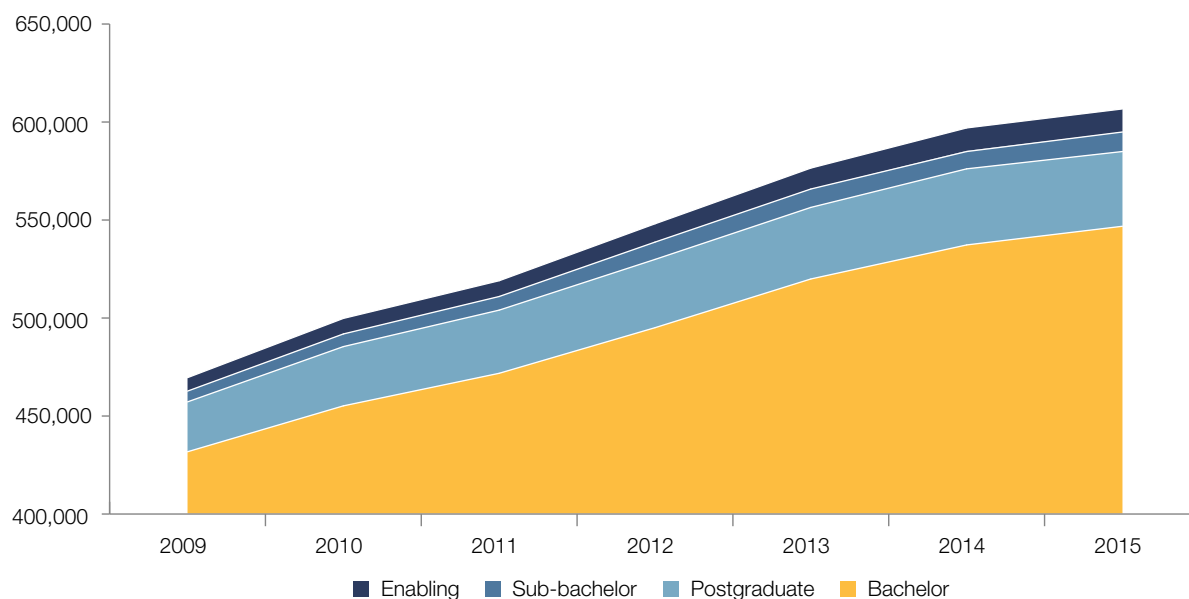
Figure 5 shows the growth in CSPs by level of course between 2009 and 2015. The current funding system restricts demand driven funding to domestic students enrolled in an eligible bachelor-level course (excluding medicine) at a public university and therefore provides incentives for students and universities that favour bachelor degrees. This may not suit everyone. Students should be able to access the appropriate course at the right time, according to their needs—whether at the sub-bachelor, bachelor or postgraduate level.

Figure 4: Comparison of short-term (2013) and medium term (2016) full-time employment for 2013 graduates by study area



Source: Department of Education and Training data

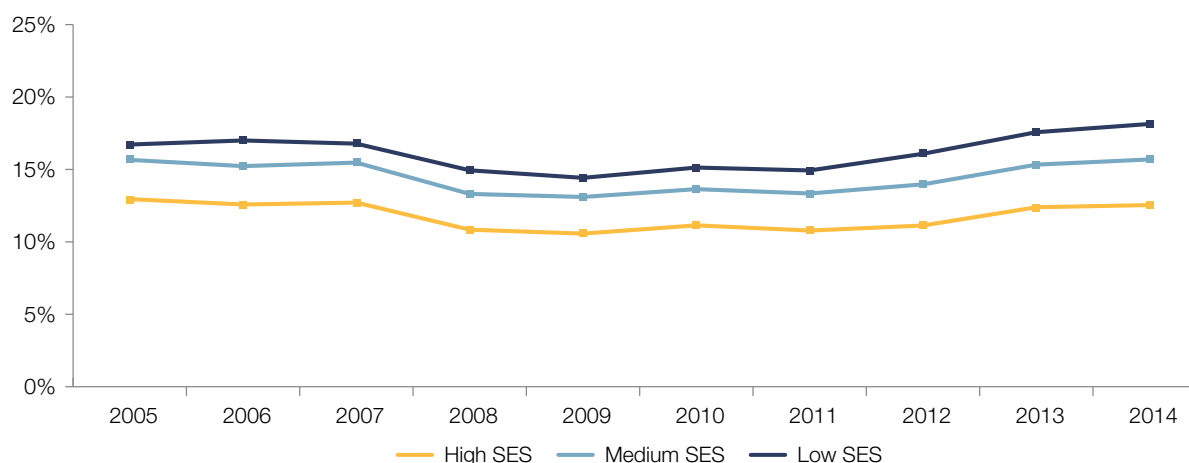
Figure 5: Commonwealth Supported Places (CSPs) by level of course



Source: Department of Education and Training—Higher Education Statistics Data Cube (uCube)

More needs to be done to assist less prepared students to succeed in higher education. Low socio-economic status (SES) students in particular need more support to stay the course and succeed in study—there is a clear relationship between attrition rates and SES (see Figure 6). However, attrition rates also vary greatly across providers, showing that the policies and practices of individual providers matter.

Figure 6: Attrition rates by socio-economic status (SES)



Source: Department of Education and Training—Selected Higher Education Student Statistics

Actions already underway

The Government is already working to drive increased accountability in higher education and greater transparency around how higher education institutions perform.

The current system lacks transparency, often making it difficult for prospective students to assess what they need to do to meet entry requirements, to identify how individual providers perform on key performance indicators (such as student assessments of their higher education experience), and to understand how graduates from particular courses and institutions are received by employers. Following extensive consultation with higher education and secondary education stakeholders, the Higher Education Standards Panel (HESP) released its report, *Improving the Transparency of Higher Education Admissions*. The Government accepted all its recommendations and implementation will begin early in the second half of 2017.

The Government has asked the HESP to build on this work in 2017 to identify the trends and factors driving completions and attrition and the strategies institutions can pursue to support student success and course completion in higher education. The HESP's work on transparency complements enhancements to the Quality Indicators for Learning and Teaching (QILT).

Each year more than 300,000 students, graduates and employers complete surveys providing valuable information about their experience at Australian higher education institutions. Future students can then compare this information by study area or institution using the QILT website www.qilt.edu.au.

In 2016–17, the Government committed \$35.5 million to QILT over four years to 2019–20. The Government is investing further in the initiative to make sure that students have user-friendly, easy to access information to help them make the right choices. This includes \$8.1 million for measures to improve greater transparency for students, including data on real graduate earnings and the likelihood of students completing their course.

The strengthening of QILT will provide greater transparency for students, ensuring they enrol in a course with a higher chance of seeing this through while also demanding more accountability of universities for the students they take on.

In 2017, the Department of Education and Training is working with the Australian Tax Office (ATO) to develop graduate income data to inform students of earnings potential. Data is scheduled to be published on the QILT website in early 2018.

Improving the sustainability of higher education

The higher education sector will be more sustainable through changes to the sharing of costs between taxpayers and students, improvements to the Higher Education Loan Program (HELP) and strengthening responsibility for recognising and rewarding quality learning and teaching.

Increased student share of higher education funding

The maximum student contribution will increase from 1 January 2018. The Commonwealth will remain the majority funder of higher education teaching and learning.

The increase in fees will be phased in from 2018 to 2021, with a 1.8 per cent increase in each year cumulating to a 7.5 per cent increase by 2021. The proposal will affect all students who access a CSP from 2018.

It is now well-established that students receive significant private returns from their study. Andrew Norton (2012) noted that:

...private benefits can be financial or non-financial. Private financial benefits include increased income, and reduced risk of unemployment...Private non-financial benefits could include more interesting work, higher status, better health and increased overall life satisfaction².

Recent research by Deloitte Access Economics³ also shows that higher education delivers significant private benefits to individuals (see Table 1).

2. Andrew Norton (2012) Graduate Winners: Assessing the public and private benefits of higher education, p. 10

3. Deloitte Access Economics (2016) Estimating the public and private benefits of education, p.47.

Table 1: Relative private and public benefits by discipline, undergraduate

		Medicine	Other Health	Education	Engineering	Business	Arts	Science	IT	Average
Controlling for innate ability	Private benefits	50%	50%	51%	39%	44%	48%	41%	45%	45%
	Public benefits	50%	50%	49%	61%	56%	52%	59%	55%	55%
Without control for innate ability	Private benefits	51%	50%	51%	43%	46%	50%	45%	46%	47%
	Public benefits	49%	50%	49%	57%	54%	50%	55%	54%	53%

Source: Based on data from Deloitte Access Economics (2016) *Estimating the public and private benefits of education*, pp. 47 and 131.

The proposal for students to assume a greater share of the cost of their education was included in the Government’s 2016 policy options paper, *Driving Innovation, Fairness and Excellence in Australian Higher Education*. As noted in the options paper:

Student contribution rates have only changed across the board on three occasions since 1989 (with the exception of annual indexation), and these rates have not had any substantive increases during the last decade⁴.

These reforms will rebalance the contributions made by taxpayers and students to the cost of higher education by adjusting the public/private share of funding for courses on average from 58/42 in 2017 to 54/46 in 2021.

Once fully implemented in 2021, this measure would result in an increase in total student fees of between \$2000 and \$3600 for a four year course.

4. Australian Government (2016) *Driving Innovation, Fairness and Excellence in Australian Higher Education*, p. 4.

The following scenarios provide examples of impact on students:

How will these changes impact fees and course funding?

An Arts (Humanities) student who commences a three year course in 2018:

- Fees will increase by \$700, from \$19,700 to \$20,400
- The Government will provide \$16,400 in subsidies through the CGS.

A nursing student who commences a four year course in 2018:

- Fees will increase by \$1250, from \$26,550 to \$27,800
- The Government will provide \$55,700 in subsidies through the CGS.

A science student who commences a three year course in 2018:

- Fees will increase by \$1000, from \$28,100 to \$29,100
- The Government will provide \$52,800 in subsidies through the CGS.

A medical student who commences a six year course in 2018:

- Fees increase for a six year course by \$3900, from \$68,000 to \$71,900
- The Government will provide \$137,300 in subsidies through the CGS
- The Government also supports universities with a medical loading, worth \$8500.

A teaching student who commences a four year course in 2018:

- Fees will increase by \$1250, from \$26,550 to \$27,800.
- The Government will provide \$41,700 in subsidies through the CGS.

Efficiency dividend on the Commonwealth Grant Scheme

Subsidies provided under the Commonwealth Grant Scheme (CGS) will be subject to a 2.5 per cent efficiency dividend applied in each of 2018 and 2019. The existing medical loading of \$1394 per EFTSL in 2017 will be extended to include veterinary science and dentistry units of study from 2018 to improve the funding arrangements for these courses.

Universities have benefited significantly from the introduction of the demand driven system. Between 2009 and 2016, CGS expenditure grew by 71 per cent, from \$4.1 billion to \$7.1 billion. Further, over the last five years university revenues have increased faster than costs.

The *Cost of Delivery of Higher Education* study undertaken by Deloitte Access Economics in 2016 showed that between 2010 and 2015, average costs per Equivalent Full-time Student Load (EFTSL) have increased by 9.5 per cent. Over the same period, funding to universities for Commonwealth Supported Places has increased by around 15 per cent.

The Cost of Delivery report also showed that universities spent approximately 85 per cent of their base funding for bachelor-level courses on teaching and scholarship in 2015⁵. This is significantly lower than the 2010 figure from the *Higher Education Base Funding Review* which found that 94 per cent of base funding for bachelor-level courses was spent on teaching and learning⁶.

This finding appears to suggest universities have become more efficient over time, especially as they have achieved greater economies of scale, and it is reasonable to expect some of these efficiencies should be shared with the taxpayer.

Overall profitability across the university sector is good. Since 2011, per place (combined taxpayer and student) funding has grown by 20.1 per cent—from \$16,064 per place in 2011 to \$19,285 in 2016 (see Table 2).

This application of an efficiency dividend will deliver a reduction in the growth of taxpayer funding for universities and drive improvements at an institutional level throughout the higher education sector. Taking into account changes to taxpayer funding and student contributions, the net reduction in university income for Commonwealth supported places will be 2.8 per cent.

Table 2: Funding for teaching and learning

	2011	2012	2013	2014	2015	2016
Total CGS and student contribution funding (million)	\$8317	\$9455	\$10,359	\$10,839	\$11,257	\$11,895
Growth rate	3.1%	13.7%	9.6%	4.6%	3.9%	5.7%
Total CGS funding (million)	\$5046	\$5837	\$6108	\$6311	\$6561	\$7050
Growth rate	4.1%	15.7%	4.6%	3.3%	4.0%	7.5%
Total student contribution funding (million)	\$3271	\$3618	\$4251	\$4527	\$4697	\$4845
Growth rate	1.6%	10.6%	17.5%	6.5%	3.7%	3.1%
Per place student contribution funding (nominal)	\$16,064	\$17,258	\$17,976	\$18,163	\$18,565	\$19,285
Growth rate	-0.6%	7.4%	4.2%	1.0%	2.2%	3.9%
Per place CGS funding	\$9746	\$10,654	\$10,599	\$10,576	\$10,819	\$11,431
Growth rate	0.4%	9.3%	-0.5%	-0.2%	2.3%	5.7%
Per place student contribution funding	\$6317	\$6604	\$7377	\$7587	\$7746	\$7854
Growth rate	-2.0%	4.5%	11.7%	2.8%	2.1%	1.4%

Source: Actual EFTSL data for 2011–2015 are as at time of reconciliation and the 2016–2020 EFTSL values are estimates as at Budget 2017–2018.

Further, the net asset base for the university sector is growing and there are significant cash and investment reserves which are sufficient to repay borrowings (see Table 3).

5. Deloitte Access Economics (2016) Cost of Delivery of Higher Education, p. 39.

6. Ibid

Table 3: Snapshot of university finances 2010–2015

	2010 \$ million	2011 \$ million	2012 \$ million	2013 \$ million	2014 \$ million	2015 \$ million
Total Revenue (excluding VET)	21,532	23,051	24,630	25,843	27,162	28,130
Total Commonwealth funding (including CGS, HELP, research, HEPPP)	12,396	13,244	14,593	15,339	16,023	16,305
Net Result (excluding VET)	1946	1933	1971	2027	1811	1725
Operating Margin	9.0%	8.4%	8.0%	7.8%	6.7%	6.1%
Net Assets (excluding VET)	37,614	38,872	41,832	44,650	46,865	49,095
Cash and Investments (excluding VET)	10,057	10,206	11,227	12,401	13,503	14,859
Total external borrowings (excluding VET)	1991	2175	2818	3049	3409	3898

Source: Department of Education and Training data, University financial data (published and unpublished)

The impact on individual providers receiving CGS funding is shown in Table 4. These estimates are based on projections of non-designated places and allocations of designated places as at April 2017, to demonstrate the impact of the efficiency dividend and increases to maximum student contribution amounts, but excluding the impact of other measures in the 2017-18 Budget.

Table 4: Indicative impact on base funding for CSPs, by providers

Institution	Current policy \$m	Indicative base funding \$m	Percentage change %
New South Wales			
Charles Sturt University	291.2	283.1	-2.8%
Macquarie University	448.9	436.1	-2.8%
Southern Cross University	155.0	150.7	-2.8%
The University of New England	204.7	198.9	-2.9%
University of New South Wales	545.5	530.5	-2.8%
The University of Newcastle	394.0	383.5	-2.7%
The University of Sydney	573.1	557.4	-2.7%
University of Technology, Sydney	420.3	408.8	-2.7%
Western Sydney University	536.7	521.7	-2.8%
University of Wollongong	313.5	304.7	-2.8%
Victoria			
Deakin University	561.1	545.6	-2.8%
La Trobe University	530.6	516.3	-2.7%
Monash University	699.1	680.1	-2.7%
RMIT University	548.1	533.2	-2.7%
Swinburne University of Technology	348.5	338.6	-2.8%
Federation University Australia	136.5	132.7	-2.8%
The University of Melbourne	576.9	560.7	-2.8%
Victoria University	233.4	226.9	-2.8%

Institution	Current policy \$m	Indicative base funding \$m	Percentage change %
Queensland			
Central Queensland University	280.4	273.1	-2.6%
Griffith University	504.1	489.9	-2.8%
James Cook University	229.5	223.3	-2.7%
Queensland University of Technology	563.9	548.8	-2.7%
The University of Queensland	518.0	503.8	-2.7%
University of Southern Queensland	246.5	239.7	-2.8%
University of the Sunshine Coast	211.5	205.6	-2.8%
Western Australia			
Curtin University of Technology	487.9	474.8	-2.7%
Edith Cowan University	316.9	308.0	-2.8%
Murdoch University	189.1	183.7	-2.8%
The University of Western Australia	333.6	324.4	-2.7%
South Australia			
Flinders University	320.3	311.5	-2.7%
The University of Adelaide	328.0	318.8	-2.8%
University of South Australia	397.0	386.4	-2.7%
Tasmania			
University of Tasmania	417.9	406.2	-2.8%
Northern Territory			
Charles Darwin University	107.2	104.2	-2.8%
Australian Capital Territory			
The Australian National University	170.9	166.0	-2.9%
University of Canberra	181.7	176.6	-2.8%
Multi-State			
Australian Catholic University	479.1	466.2	-2.7%
Non Table A providers			
Avondale College of Higher Education	14.6	14.2	-2.7%
University of Notre Dame Australia	111.5	108.4	-2.7%
Christian Heritage College	5.7	5.6	-2.6%
Tabor Adelaide	3.7	3.5	-5.3%
Eastern College Australia	1.1	1.1	-2.7%
Holmesglen Institute of TAFE	8.5	8.3	-2.8%
Melbourne Polytechnic	2.2	2.1	-2.7%
TOTAL	13,947.3	13563.7	-2.8%

Source: Department of Education and Training data

New schedule of repayment thresholds for the HELP

A new set of repayment thresholds will be introduced from 1 July 2018, affecting all current and future HELP debtors by changing the timing and quantity of their repayments.

A key element of the higher education system is the Higher Education Loan Program (HELP) which underpins universal, merit-based access to higher education in Australia and is one of the most generous student loan schemes in the world. However, as foreshadowed in *Driving Innovation, Fairness and Excellence in Australian Higher Education*, Commonwealth and student contributions could be adjusted to improve the prospects for repayments of student loans.

Currently, HELP debtors are not required to start paying back their HELP loans until their annual incomes reach \$55,874 (in 2017–18), with individuals making repayments of four per cent of their repayment income, rising to eight per cent for people with incomes above \$101,900. Through the *Budget Savings (Omnibus) Act 2016* (the Omnibus Act), the Government introduced a new, lower minimum HELP repayment threshold—set at \$51,957 in 2018–19 (90 per cent of the projected four per cent threshold) with a repayment rate of two per cent.

The 2017–18 Budget reforms will set the minimum repayment threshold at \$42,000 from 1 July 2018 with a much lower one per cent repayment rate, and a maximum threshold of \$119,882 with a repayment rate of 10 per cent. Each progressive threshold is set at six per cent higher than the preceding threshold, while repayment rates increase in 0.5 per cent increments. Table 5 provides a comparison of current versus proposed new thresholds.

Table 5: Comparison of current versus proposed new thresholds (2018–19 and 2019–20)

Repayment Rate	Current 2018–19 thresholds	Proposed new 2018–19 thresholds	Proposed new 2019–20 thresholds (derived through CPI indexation)
1.00%	-	\$42,000	\$42,840
1.50%	-	\$44,520	\$45,410
2.00%	\$51,957	\$47,191	\$48,135
2.50%	-	\$50,022	\$51,023
3.00%	-	\$53,024	\$54,084
3.50%	-	\$56,205	\$57,329
4.00%	\$57,730	\$59,577	\$60,769
4.50%	\$64,307	\$63,152	\$64,415
5.00%	\$70,882	\$66,941	\$68,280
5.50%	\$74,608	\$70,958	\$72,377
6.00%	\$80,198	\$75,215	\$76,719
6.50%	\$86,856	\$79,728	\$81,323
7.00%	\$91,426	\$84,512	\$86,202
7.50%	\$100,614	\$89,582	\$91,374

Repayment Rate	Current 2018–19 thresholds	Proposed new 2018–19 thresholds	Proposed new 2019–20 thresholds (derived through CPI indexation)
8.00%	\$107,214	\$94,957	\$96,857
8.50%	-	\$100,655	\$102,669
9.00%	-	\$106,694	\$108,829
9.50%	-	\$113,096	\$115,358
10.00%	-	\$119,882	\$122,279

Source: Department of Education and Training data, assumes 2 per cent CPI

This will apply to all HELP loans (HECS-HELP, FEE-HELP, VET FEE-HELP, VET Student Loans, OS-HELP and SA-HELP). According to analysis by the ATO, an estimated additional 183,000 debtors will be brought into the repayment stream in 2018–19 as a result of the new set of repayment thresholds.

These reforms constitute the first major redesign of HELP loan repayment thresholds in a decade. The measure will ensure that existing, as well as new, HELP debtors make a contribution to the sustainability of higher education.

Table 6: ATO taxation statistics 2014–15 of the number of HELP debtors

HELP repayment income	State/Territory								
	NSW	VIC	QLD	WA	SA	ACT	TAS	NT	Total
Up to \$9,999	60,517	55,900	43,642	18,001	13,643	3994	3944	914	200,555
\$10,000 to \$19,999	95,068	87,717	74,065	27,551	22,612	5774	6419	1592	320,798
\$20,000 to \$29,999	86,926	80,956	69,276	24,416	20,384	5300	5756	1691	294,705
\$30,000 to \$39,999	67,943	62,953	56,181	18,749	16,264	4041	4497	1458	232,086
\$40,000 to \$49,999	56,206	53,323	44,493	15,594	14,039	3439	3564	1416	192,074
\$50,000 to \$59,999	37,596	36,789	26,842	10,389	8751	2861	2315	1019	126,562
\$60,000 to \$69,999	28,402	25,772	19,123	8266	6417	2967	1543	873	93,363
\$70,000 to \$79,999	15,050	13,334	10,605	5490	3470	1929	798	561	51,237
\$80,000 to \$89,999	8535	6854	5848	3193	1737	961	362	357	27,847
\$90,000 to \$99,999	4535	3307	3132	1826	827	529	161	193	14,510
\$100,000 or more	8914	6335	6564	4660	1445	872	309	322	29,421
Total	469,692	433,240	359,771	138,135	109,589	32,667	29,668	10,396	1,583,158

Source: ATO data

Table 7: Outstanding HELP debt and debtors, 2011–12 to 2015–16

Outstanding HELP debt	2011–12		2012–13		2013–14		2014–15		2015–16	
	no.	\$m	no.	\$m	no.	\$m	no.	\$m	no.	\$m
More than \$0–\$1,000	53,318	32	56,464	32	60,014	33	61,726	34	62,110	34
\$1,000.01–\$2,000	77,143	117	79,925	121	78,793	120	76,947	117	76,649	116
\$2,000.01–\$4,000	164,149	486	172,188	510	173,208	518	173,555	521	176,766	531
\$4,000.01–\$6,000	170,288	859	178,655	908	158,693	796	160,298	798	164,022	814
\$6,000.01–\$8,000	139,749	973	152,692	1062	172,785	1201	190,041	1322	192,587	1343
\$8,000.01–\$10,000	119,067	1069	128,125	1151	156,279	1397	164,917	1477	179,179	1610
\$10,000.01–\$12,000	117,981	1299	120,642	1331	119,501	1316	129,860	1424	136,734	1499
\$12,000.01–\$14,000	103,094	1342	104,464	1356	119,592	1551	129,003	1674	142,151	1845
\$14,000.01–\$16,000	99,648	1493	104,059	1558	109,580	1644	116,075	1742	124,820	1872
\$16,000.01–\$18,000	94,334	1603	104,921	1785	110,775	1887	121,207	2066	122,157	2080
\$18,000.01–\$20,000	80,624	1529	90,900	1724	106,938	2027	123,654	2342	139,835	2647
\$20,000.01–\$30,000	269,787	6579	296,244	7244	338,949	8302	403,064	9889	473,584	11,654
\$30,000.01–\$40,000	114,051	3889	131,384	4494	157,758	5404	195,492	6695	242,240	8312
\$40,000.01–\$50,000	42,338	1874	53,877	2389	67,468	2997	84,863	3765	110,455	4901
Over \$50,000	35,129	2386	48,749	3321	67,640	4623	92,339	6316	125,650	8627
Total	1,658,158	25,530	1,823,288	28,986	1,997,973	33,816	2,223,041	40,182	2,468,939	47,885

Source: ATO data

New indexation arrangements for repayment thresholds for the HELP

From 1 July 2019 the indexation of Higher Education Loan Program (HELP) repayment thresholds, currently linked to Average Weekly Earnings (AWE), will be changed to align to the Consumer Price Index (CPI).

The new schedule of HELP repayment thresholds will be accompanied by improved arrangements for the indexation of thresholds. HELP repayment thresholds are currently indexed to AWE.

In its 2014 report, *Towards Responsible Government*, the National Commission of Audit recommended reducing the indexation rate for HELP thresholds and proposed moving to CPI instead of AWE as a means to improve the sustainability of HELP⁷.

Growth in AWE has typically been faster than CPI, which means thresholds indexed by CPI would likely result in loan repayments to the Commonwealth being made more quickly under this measure. The Grattan Institute reported in 2016 that indexation based on AWE had led to an increase in the minimum threshold by 17 per cent in real terms from 2004–05 to 2015–16 than would have been the case under indexation at CPI. Had the minimum threshold been linked to CPI instead of AWE, the 2015–16 minimum threshold of \$54,126 would instead be \$46,457⁸.

Replacing subsidies with loans for most permanent residents and New Zealand citizens

From 1 January 2018, subsidies for most Australian permanent residents and most New Zealand (NZ) citizens enrolling in a Commonwealth Supported Place (CSP) will be withdrawn, making them fee-paying students.

Under current arrangements, most Australian permanent residents and most New Zealand (NZ) citizens are treated as domestic students for the purposes of receiving a CGS subsidy but are not eligible for HELP loans. Only Australian citizens, permanent humanitarian visa holders, and certain NZ Special Category Visa holders (who arrived in Australia as minors and have been resident for the majority of the last ten years) can access HELP loans. All other students have to pay upfront fees—presenting a significant barrier to higher education for many students.

This reform will address this anomalous situation by extending loan support to such permanent residents and New Zealand citizens and removing access to CSPs, effectively treating these students the same as domestic full fee-paying students.

Affected students already in a CSP will retain access to this support while they are enrolled in their existing course. NZ Special Category Visa holders who arrived in Australia as minors and have

7. National Commission of Audit (2014), *Towards Responsible Government: Appendix to the Report of the National Commission of Audit*, Volume 1, p. 342.

8. Norton, A. (2016) *HELP for the future: Fairer repayment of student debt*, pp.13–14.

satisfied the ten-year residency requirement will continue to access CSPs and HELP. In 2016, approximately 1800 such students accessed these benefits.

The Commonwealth will instead support permanent residents and NZ citizens through access to income-contingent loans which means that they will not have to meet the cost of upfront fees. It ensures that the contribution that permanent residents and NZ citizens make to the Australian economy is recognised and supported.

Instead of paying an upfront fee, they will be eligible to defer payment of their tuition fees through a student loan. Access to student loans could attract some new students for whom upfront payment was a disincentive to study, leading to an estimated 60,000 additional EFTSL. This proposal will not affect the 20,000 or so Australian permanent residents and NZ citizens EFTSL who are currently enrolled. This reform is possible because of the Turnbull Government reforms to improve recoveries of student loans from debtors who move overseas.

The following scenarios illustrate the current situation and the impact of the reform.

Scenario 1: Permanent resident in a Commonwealth supported place

Current situation: Elizabeth is a UK citizen who moved here when she was one year old and is an Australian permanent resident. She wants to study engineering at university. As she is not an Australian citizen, she is not able to access a HELP loan but may access a government subsidy through being in a CSP. Elizabeth will have to pay her student contribution amount upfront, as well as her student services and amenities fee.

After measure is enacted: Elizabeth will no longer receive a CSP, but she will be able to defer her tuition fees by accessing a FEE-HELP loan. If her university chose to charge Elizabeth for the current full cost of a subsidised place, her fees could be \$27,021 per year.

Scenario 2: New Zealand citizen in Australian higher education

Current situation: Jonah is a 19 year old New Zealand citizen who arrived in Australia two years ago. Although Jonah arrived as a dependent minor, he does not satisfy the other long-term eligibility requirements to access a HELP loan. Jonah wants to study a Bachelor of Nursing and would have to pay his student contribution upfront.

After measure is enacted: Jonah no longer has access to a CSP, but he can access a FEE-HELP loan. He can enrol in an undergraduate fee paying place and defer his fees. If his university chose to charge Jonah for the current full cost of a subsidised place, his fees would be \$20,462 per year.

Quality in higher education learning and teaching

The Promotion of Excellence in Learning and Teaching in Higher Education (PELTHE) program will cease and the administration of the Australian Awards for University Teaching (AAUT) and the Office for Learning and Teaching digital repository will be transferred to Universities Australia.

The Promotion of Excellence in Learning and Teaching in Higher Education (PELTHE) program funds the Australian Awards for University Teaching (AAUT), administered by the Department of Education and Training, and supports a digital repository of outcomes of taxpayer-funded scholarly work on higher education teaching and learning.

For more than 20 years the Government has supported the recognition and rewarding of high quality learning and teaching through the AAUT. These awards have led to an increased focus on learning and teaching innovation and on the need to recognise teaching quality at an institutional and sectoral level. Given the levels of funding provided to institutions it is appropriate that the higher education sector take increased responsibility for the recognition and promotion of quality in higher education teaching and learning.

Since 2005, a total of 2225 awards have been made under the auspices of the AAUT – 1893 citations, 120 program awards and 212 teaching excellence awards. Over the period in which the AAUT have been in operation, universities have introduced and refined institutional awards that are consistent with the criteria applied nationally.

From 1 January 2018, responsibility for the AAUT will be transferred to Universities Australia. This recognises that the best approach to the long-term sustainability of the awards lies with the higher education sector taking ownership and ensuring that the AAUT target exceptional performance in areas that are relevant, and important, to the sector.

Universities Australia will also assume responsibility for curating the nationally significant digital library of research on learning and teaching. This is needed to ensure that project reports and other resources held in the library are fully discoverable and continue to be accessible to university researchers and practitioners.

More choice for students

The higher education sector will be more responsive to the aspirations of students and the needs of the future workforce. Incentives to deliver unnecessary qualifications or to maintain outmoded curriculum and course delivery methods will be replaced with mechanisms which ensure Commonwealth Supported Places provide better value to students and to the economy. Funding mechanisms to support universities enrolling students from low socio-economic backgrounds will also be reformed.

Improved support for regional higher education

The Government will commit \$15 million over four years to assist in the establishment and maintenance of up to eight community-owned, regional study hubs across mainland Australia.

This reform recognises a key gap in university provision exists for remote students who wish or need to remain in their local regional area for study, but enrolments are not sufficient to justify a university establishing a campus.

These hubs will support regional students to study courses locally delivered by distance from any Australian university by providing greater access to study support and infrastructure. This commitment will provide some support for upfront costs and the fixed costs of operation which do not fit a university funding model based on per student contributions.

The Senate Regional Affairs and Transport References Committee report, *The Future Role and Contribution of Regional Capitals to Australia*, released in November 2016, recommended that the Government modify the university funding criteria to enable organisations, such as community-owned centres, to apply directly for higher education funding⁹.

Two regional study hubs have already been established in Geraldton, Western Australia and Cooma, New South Wales and a feasibility study has already been undertaken to establish a regional study hub in the Pilbara, Western Australia. Work will be undertaken with state governments, local councils and other stakeholders to identify the most effective locations for additional regional study hubs.

9. The Senate Rural and Regional Affairs and Transport References Committee (2016) Future role and contribution of regional capitals to Australia, Final report, p. 58.

Reform of the Higher Education Participation and Partnerships Program

The Higher Education Participation and Partnerships Program (HEPPP) will be reformed to deliver two components—an Access and Participation Fund that involves a loading for each eligible low SES student, with performance funding for improvements in success rates of low SES and Indigenous students, and a National Priorities Pool.

The HEPPP provides funding to public universities to conduct activities that improve access to undergraduate courses for people from low SES backgrounds, and improve the retention and completion rates of those students. HEPPP has assisted at least 310,000 students on university campuses since 2010, and worked with more than 2900 schools, TAFEs, community organisations and other partners.

However, success and retention rates for students from low SES backgrounds remain lower than those of all domestic students (see Table 8).

Table 8: Success and retention rates for students from low SES backgrounds, 2010 and 2015

Group	2010	2015	Increase 2010–2015	% All students (2015)	General population	Retention rate (2014)	Success rate (2015)
Disability	28,057	44,210	57.6%	6.2%	14.4% ^a	77.0%	81.2%
Indigenous	8000	11,739	46.7%	1.6%	2.8%	71.2%	73.6%
Low SES*	96,706	130,246	34.7%	18.2%	25.0%	77.8%	83.5%
Regional [†]	110,646	134,847	21.9%	18.8%	26.4% ^b	77.3%	85.7%
Remote [†]	5540	6365	14.9%	0.9%	2.3% ^b	74.0%	83.5%
All students	580,372	717,195	23.6%			79.9%	87.1%

Source: Australian Government Department of Education and Training, *Higher Education Statistics*.

Caveat: Table A domestic undergraduate students only, excludes students where permanent home address is overseas.

* Low SES data are based on 2006 Census SEIFA.

† Regional and Remote categories are derived from MCEETYA classifications.

a. Source: Australian Bureau of Statistics Cat. 4433.0.55.006—Disability and Labour Force Participation, 2012.

b. Source: 2011 Census of Population and Housing. Denotes 15–64 year old population in inner regional, outer regional, and remote and very remote areas only.

To support better outcomes for students from low SES backgrounds, and consistent with university submissions, the Government will provide greater certainty on HEPPP funding and provide universities with the confidence that they can sustain their equity initiatives over time.

From 1 January 2018, the Government will reform HEPPP into two components—the Access and Participation Fund and the National Priorities Pool. The Participation and Partnership components of HEPPP will be combined to form the Access and Participation Fund, with universities required to allocate a minimum amount of funding to partnership activities.

Funding from the Access and Participation Fund will be provided in two streams:

- a legislated loading of \$985 (indexed) per low SES student will be introduced to provide funding that is certain, calibrated to university need and will facilitate longer term planning and projects, and
- performance funding (\$13.3 million per year indexed—around 10 per cent of HEPPP funding) for universities that improve their average success rates for low SES or Indigenous students.

The National Priorities Pool will be retained with an allocation of \$9.5 million per year (indexed) and will have a greater focus on rigorous evaluative research and encourage outreach collaboration between universities.

Scholarship system for postgraduate coursework places

In 2019 the Government will implement a ‘student-centred’ model for the distribution of postgraduate coursework places, ensuring the places are used at the institutions where students want to study.

The piecemeal allocation of CSPs for postgraduate study, at different times and according to different criteria, has resulted in an incoherent distribution of places. A particular course may be Commonwealth supported at one university while being fee-paying at another. A large proportion of places is allocated to a small number of universities and the take-up rates of these places can be haphazard. For example, some universities were over-enrolled in 2015 while others were under-enrolled.

This is clearly unfair to students and fails to ensure that taxpayer support is targeted to disciplines and courses which provide value to the economy.

It is critical the Government continue to support the delivery of postgraduate qualifications where these are necessary for professional entry, to support rapid retraining in areas of workforce shortage or meet other national priorities. However, it is not in the interests of students or the public to see an unjustifiable increase in initial entry requirements, because it increases forgone income and requires taxpayers to fund longer periods of study.

In line with feedback received in response to the Government’s policy options paper, *Driving Innovation, Fairness and Excellence in Australian Higher Education*, the Government has decided to introduce a system for allocating Commonwealth supported postgraduate places directly to students for use at the university of their choice.

The creation of a student-centred approach with a clearer set of priorities will enable the Government to focus places where they are needed. This reform will provide a mechanism to target national priorities through the prioritisation of scholarship applicants.

From 1 January 2018, the Government will reduce the current allocation of postgraduate CSPs by around 3000 places in line with current utilisation. From 1 January 2019, a system of postgraduate scholarships will be established.

Students will be provided with a ‘scholarship’ to the value of a CSP that they may use at an institution of their choice, rather than the current ‘university-focused’ model. Such scholarships may only be used at those universities and non-university higher education providers that are approved to offer CSPs. Requirements will be placed on institutions to ensure scholarship holders are not turned away by institutions in favour of full-fee paying students.

Students who commenced in, or accepted an offer of, a postgraduate CSP before the policy was announced will continue to have access to a CSP while they finish their course. Students who commence in a postgraduate CSP from the date of the policy announcement to the end of 2018 will be able to continue in their CSP until the end of 2018. After this, they would need to be in receipt of a scholarship to continue to study in a Commonwealth subsidised place.

The Government will also negotiate appropriate transition arrangements with the University of Melbourne and the University of Western Australia, given their current funding agreements support the broad bachelor and professional masters models adopted by these universities.

New arrangements for sub-bachelor courses

The demand driven funding system will be expanded to include Commonwealth Supported Places (CSPs) in approved sub-bachelor level diploma, advanced diploma and associate degree courses at public universities from 1 January 2018.

In 2012, when the demand driven system of undergraduate funding for public universities was introduced, sub-bachelor level courses — diplomas, advanced diplomas and associate degrees — were excluded. CSPs have continued to be allocated for such courses by the Government.

Under current arrangements, the Government decides how many students can receive a subsidy to study a sub-bachelor course at each university. In 2016, although public universities estimated they required a total of 21,795 sub-bachelor places, the Government only funded these universities for a total of 19,046 sub-bachelor places. This is inefficient because some universities are significantly under-enrolled, while others are over-enrolled.

From 1 January 2018, Commonwealth support will be available to students at public universities in approved sub-bachelor courses. To be eligible for a CSP, the student must not have completed another higher education qualification and the course must have been developed with a focus on industry needs and fully articulate into related bachelor programs. Current arrangements will continue to apply for existing students who are enrolled before 1 January 2018.

In its submission to the 2016 policy options paper the Group of Eight noted while:

... undergraduate degree participation has grown substantially [under the demand driven system], important sub-degree programs in vocational education and higher education have not had the capacity to grow in line with the needs of the economy.

Under this reform universities will be able to enrol students in a CSP in a sub-bachelor course and then a bachelor level course. This provides better support for underprepared students and will see improved retention and completion rates.

This reform also recognises the importance of standalone paraprofessional or technical qualifications, and the flexibility that shorter sub-bachelor courses allow in meeting workforce demand. In addition it allows industry more input to curriculum design to improve the job-readiness of graduates.

This reform is expected to lead to lower overall attrition rates for commencing undergraduate students over time, as underprepared students are better supported to transition to bachelor-level study through sub-bachelor courses.

New arrangements for enabling courses

A new distribution mechanism for enabling courses will be implemented from 1 January 2019 to better match places to student need. The Commonwealth will also abolish the loading on enabling places from 1 January 2018 and replace the loading with an equivalent maximum student contribution rate.

Universities offer enabling courses to underprepared learners to assist them in undertaking future higher education qualifications. Enabling courses provide students with numerous benefits including general study skills and discipline-specific knowledge. Its role as a preparation tool for students with social or educational disadvantage was recognised in the *Higher Education Base Funding Review*¹⁰.

The Government currently pays a loading to higher education institutions for each of the 9686 allocated enabling places (in 2017, \$3223 per equivalent full-time student load) in lieu of allowing institutions to charge a student contribution amount. In addition, the Commonwealth provides the subsidy appropriate to the CGS funding cluster.

From 1 January 2019, the arrangements for enabling courses will be overhauled with a fixed number of enabling places to be allocated on a cyclical basis through a three year competitive tender process.

The process will be designed to identify those higher education providers, universities or non-university providers, which achieve high standards of academic preparation and deliver high quality student outcomes, for example, measured by student completion rates or student success in further study. Providers can choose to offer a 'tertiary enabling course' that leads to a recognised diploma qualification, for example 'Diploma of Tertiary Preparation' or equivalent.

From 1 January 2018, students may be charged up to the same rate as the enabling loading (\$3271 in 2018), which will be abolished. Only 52 per cent of Commonwealth supported students who commenced an enabling course in 2014 continued study in 2015. This compares to 61 per cent of domestic fee paying enabling students who commenced study in 2014 and continued in 2015¹¹.

10. Department of Education, Employment and Workplace Relations (2011), *Higher Education Base Funding Review: final report*, p.122

11. Department of Education and Training data

In 2015, 33 institutions provided enabling courses to Commonwealth supported students, while only nine institutions provided full fee enabling programs.

This reform will help improve higher completion rates and ensure a better return to both the student and taxpayers.

Expansion of support for Work Experience in Industry units

From 1 January 2018, Commonwealth contributions will be provided for Work Experience in Industry (WEI) units that are credited towards a Commonwealth supported qualification.

Work Experience in Industry (WEI) units are those which comprise totally of work:

- that is undertaken as a part of, or in connection with, a course of study undertaken with a provider
- the purpose of which is to obtain work experience relevant to the course of study, and
- in respect of which student learning and performance is not directed by the provider.

WEI units are currently ineligible for CGS funding although they are a feature in many higher education courses. An estimated 2600 students (equating to around 700 EFTSL) in a CSP who undertake a WEI unit annually do not benefit from a Commonwealth contribution to that unit.

Providing work-integrated learning opportunities for students has significant benefits for the job readiness of graduates, but there is currently little incentive for institutions to offer these opportunities. This reform will remove the disincentive that currently exists for institutions to offer degrees that include such work experience components. Providing funding to support WEI units will ensure that students are better supported to access high quality educational opportunities that have strong links with industry.

The position paper developed by the partners to the National Work Integrated Learning (WIL) Strategy (Universities Australia, Australian Chamber of Commerce and Industry, AiGroup, Business Council of Australia, and Australian Collaborative Education Network Ltd) promotes increased support for WIL opportunities for students in higher education¹². These opportunities enable students to develop better, and more relevant, employability skills and gain genuine work experience linked to their career objectives. Employers benefit from the development of relationships with universities, enabling feedback on student learning and preparedness for employment.

From 1 January 2018, Commonwealth contributions will be provided for WEI units that are credited towards a Commonwealth supported qualification up to one-sixth of a student's total load. For example, if a student's total load comprises 24 units, a maximum of four units could be counted as WEI units. The amount of the contribution will be consistent with that provided for other Commonwealth supported units.

12. National WIL Partners (2015) National Strategy on Work Integrated Learning in University Education.

Increased transparency and accountability

The higher education sector will be more accountable—and more open to scrutiny—for the manner in which it expends taxpayer funding. The retention of a system that provides broad and uncapped access to higher education needs greater transparency to show that the institutions are making the right decisions about who to enrol and in what they are enrolling.

Performance contingent funding for universities

From 1 January 2018 the Government is introducing a performance-based element to the CGS, worth 7.5 per cent of total CGS cluster funding.

While the Government has increased information about the quality of university teaching and learning through the introduction of the Quality Indicators of Learning and Teaching (QILT) website, current university prestige continues to be predominantly driven by research rankings. Making some of the CGS funding to universities contingent on their teaching performance will provide incentives for them to improve in this area and provide metrics for the comparison of teaching quality and improve the operation of the sector.

The Commonwealth recognises that performance metrics can be challenging and will need to reflect a balance between a broad range of priorities and endeavours undertaken by universities. During 2017–18 the Government will work with the higher education sector to ensure that the metrics are robust and meet the needs of the Commonwealth and universities.

From 1 January 2018, 7.5 per cent of a university's CGS cluster funding, creating a total pool of around \$500 million, will be contingent on the university meeting performance requirements.

This offers significant opportunities for the Government to encourage universities to not only participate in activities, such as the transparency and accountability of teaching and research costs project, but also to improve the quality of the education they deliver. The Government will work with the sector during 2017 to develop the final performance assessment and distribution mechanism.

In 2018, universities will be required to participate in the reform of admissions information and cost of teaching and research transparency initiatives outlined in further detail in following sections. Ensuring prospective students are able to easily access transparent information about university entry requirements is essential to ensuring they can make an informed decision about their higher education.

From 2019, the funding will be additionally linked to institutional performance metrics, according to a formula developed in consultation with the sector in 2017–18. Any unused funds will be redistributed among the remaining recipients, meaning funding to the sector will not be reduced.

Improving the transparency of higher education admissions

The Government has accepted all recommendations of the Higher Education Standards Panel (HESP) report, *Improving the Transparency of Higher Education Admissions*. The Tertiary Education Quality and Standards Agency (TEQSA) will be provided \$3.3 million over four years to work with key stakeholders in Australia's higher education sector to deliver a joint plan to implement the Panel's key recommendations.

While the Australian Government continues to improve access to higher education for all students, there has been growing public, academic and media concern about the complexity of admissions processes and the availability, clarity and accuracy of information about the full variety of higher education admission pathways.

In February 2016, the Minister for Education and Training requested the HESP to report on options to improve the transparency of higher education student admissions. The Panel's report, *Improving the Transparency of Higher Education Admissions*, was received in October 2016 and the Government has accepted all recommendations, including that higher education providers must be held accountable for claims they make in their admission processes and the outcomes they deliver for students and Australia.

TEQSA has a key role to play in the sector-led development of a response to the Panel's report and recommendations. Once the detail of the response is determined, TEQSA will develop a guidance note on what it would expect to see to demonstrate compliance with the admissions transparency requirements of the Higher Education Standards Framework (Threshold Standards) 2015 (the Standards).

TEQSA will conduct a baseline audit of sector compliance with the agreed sector-led response in the first year. It will then actively monitor and report on sector progress as providers improve to meet the Standards.

When implemented, this reform will enhance the accountability of higher education providers for the information they publish about their admissions policies:

- adopt common language about admissions processes and publish consistent information
- widen the accessibility of information to prospective students, and
- improve the comparability of admissions and entry information across providers.

Transparency for teaching and research expenditure by universities

The Government will work with the higher education sector to establish a more transparent framework for the collection of financial data from higher education providers in order to regularly report on the cost of teaching and research by field of education.

Institutions are not currently required to provide data to the Government about their expenditure on teaching and scholarship, making it difficult to assess the efficiency of the current funding architecture.

In 2015, the Grattan Institute estimated that universities earn (through subsidies from the Government and fees from domestic and international students) up to \$3.2 billion more from students than they spend on teaching¹³. Higher education institutions need to be more accountable to students for the use of the funding they receive, particularly funding to support teaching and learning.

As the complexity of the higher education system and the number of students has grown, it has also become clear that both the sector and the government require better data on costs to maximise the contribution that public universities make. Better financial data and regular reporting will enable universities to benchmark in ways that are not supported by current financial reporting arrangements, and drive improvements across the system accordingly.

During 2017, the Department of Education and Training will work in consultation with a Universities Australia reference group to establish an annual cost of delivery data collection for a further three years commencing in 2018.

Once established, the Department of Education and Training will also work with the reference group to identify arrangements for publication of the results on the QILT website. Publication of this data will allow stakeholders to make direct comparisons with QILT measures of teaching quality. It will allow institutions to benchmark in ways that are not supported by current financial reporting arrangements, driving improvements across the sector. It will also support better informed policy decisions and provide students with a better idea of how their fees are being spent.

A regular data collection on teaching costs, such as already happens in the United Kingdom through the Transparent Approach to Costing (TRAC) and New Zealand, will allow universities to document best practice and enable the design of more efficient funding architecture.

Review of the Australian Qualifications Framework

The Government will undertake a review of the Australian Qualifications Framework (AQF) commencing in the second half of 2017, to be completed by 31 December 2018.

The Australian Qualifications Framework (AQF) is the agreed policy of Commonwealth, state and territory governments on regulated qualifications in the Australian education and training system.

The AQF was first introduced in 1995 to underpin the national system of qualifications in Australia encompassing higher education, vocational education and training and schools. It identifies criteria for qualifications for Senior Secondary Certificate and for Certificate I (AQF level 1) through to Doctoral Degrees (AQF level 10). Education and training providers use the AQF when developing their qualifications to ensure that their program of learning matches the broad learning outcomes determined for each qualification type.

The AQF was last thoroughly reviewed in 2009–2011 with the subsequent revised AQF first edition released in 2011. Minor changes were made to the revised AQF with a second edition released in 2013.

13. Norton, A. (2015) The cash nexus: how teaching funds research in Australian universities, p. 1.

The review will provide an opportunity to work with the states and territories, and education providers to identify the changes required to more clearly link matriculation standards from senior school to entry standards in higher education and the preparation required for successful completion of higher education courses.

The review will develop proposed revisions to the AQF for approval by the COAG councils responsible for vocational education and training (VET), higher education and secondary school education.

Review of the Higher Education Provider Category Standards

The Higher Education Standards Panel (HESP) will oversee a review of the Criteria for Higher Education Providers commencing in the second half of 2017 to be completed during the first half of 2018.

Australian higher education providers become recognised through meeting the *Higher Education Standards Framework (Threshold Standards) 2015*.

This framework makes provision for the following provider categories:

- Higher Education Provider
- Australian University
- Australian University College
- Australian University of Specialisation
- Overseas University
- Overseas University of Specialisation

A review provides an opportunity to ensure a coherent tertiary education sector with clear but permeable demarcations to reflect changing VET and higher education requirements and expectations. Even if no change flows from this examination, it is timely to consider the effectiveness of the provider category descriptions to ensure that they:

- are fit for purpose for the current needs of students and the sector generally
- are comparable to international benchmarks
- are flexible enough to accommodate innovation and changing practices, and
- assist TEQSA in its regulatory activities especially with regard to non-university providers.

The review will include public and stakeholder consultation around options to change provider categories, including the possibility of a teaching-only university category. The Higher Education Standards Panel will consider the outcomes of the review in order to develop advice to the Minister on options to amend the current Standards, including draft new or amended standards to achieve the options canvassed. It is expected that the Government will consider the outcome of the review in the 2018–19 Budget context.

Conclusion

A contribution to broader policy objectives

The Government's higher education reform package underpins its commitment to a higher education system that ensures informed choice and better support for students, provides equitable access for under-represented groups, and meets the needs of industry and the community. These measures will contribute to other areas of Government policy, particularly in regional development, employment and productivity, and skills and training.

More sustainable regions

Regional students will benefit from the Government's reforms through the enhancements to the Higher Education Participation and Partnerships Program (HEPPP). Students from regional and remote Australia face many of the same barriers as low SES students, and reforms to HEPPP will drive an increased focus on accessibility of higher education and better support for students to complete their studies.

Regional students will also benefit from the increased Commonwealth support for sub-bachelor level places. The extension of demand driven funding to eligible sub-bachelor courses means more choice for students on the level at which they enter higher education and the opportunity for obtaining a relevant, recognised qualification sooner.

The provision of \$15 million from 2017–18 to 2020–21 will assist communities to establish and operate up to eight regional study hubs, improving access to higher education for students from rural and remote areas of Australia. Such hubs typically support regional students to study courses locally delivered by distance from any Australian university by providing greater access to study support and infrastructure.

Employability and industry relevance of graduate skills

Peak business and industry bodies have expressed concern over the work-readiness of higher education graduates.

Undergraduate courses will be strengthened through the requirement that sub-bachelor courses, in order to be eligible for Commonwealth support, must have been developed with a focus on industry needs. These courses are often paraprofessional or technical qualifications and the shorter timeframe for completion will assist in meeting workforce demand.

Employability skills will be better developed through the introduction of funding for Work Experience in Industry units. Employers and industry will benefit from this reform through closer links with institutions and future graduates. Students will benefit through increased and improved opportunities to gain experience in industry as part of their courses.

The reforms to postgraduate courses will allow the Government to target support for national priorities, increasing the availability of well-credentialed graduates to business and industry.

The review of the AQF will include a focus on ensuring that learning outcomes are meeting the needs of the employment market (including the international employment market) and assess the merit in including micro-credentials, a growing means of identifying specific employment skills, within the Framework.

A more coherent tertiary sector

These reforms will improve the coherence of Australia's further education system by ensuring better connectivity between sub-bachelor and bachelor level courses through stronger articulation requirements.

The review of the AQF will assess whether emerging qualifications, such as micro-credentials, should be nested within the Framework and will also consider if foundation and enabling courses should be a recognised part of a sub-qualification credit framework.

At an institutional level the review of the Higher Education Provider Category Standards will identify what categories of provider are best to support the future development of the Australian higher education system and identify any barriers which are negatively impacting on its ability to meet the Government's, and the community's, expectations.

Next steps

This reform package:

- rebalances the share of higher education funding borne by taxpayers and students
- reforms student loans to improve their sustainability and affordability
- enhances the quality of higher education teaching and learning
- ensures greater responsiveness to students and the needs of the future workforce
- addresses anomalies in the funding arrangements for enabling, sub-bachelor and postgraduate courses, and
- increases scrutiny on providers for performance, driving accountability and transparency in the delivery of higher education.

These reforms have been developed through substantial consultation and discussion with higher education stakeholders and this approach will continue through the implementation phase.

The Government will engage with and consult the higher education sector and students on the implementation of key elements of the scheme, such as the establishment of metrics for the performance contingent funding, guidance on sub-bachelor and postgraduate course priorities, the review of the AQF and Provider Category Standards and advising on new financial reporting arrangements.

