

# Charles Darwin University

Submission addressing the  
Australian Tertiary Education Commission,  
Managed Growth Funding System, and  
Needs-based Funding  
Consultation Papers.

August 2024



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## **Australia's most connected university**

Charles Darwin University's (CDU) vision is to be Australia's most connected university by being courageous and making a difference in the Northern Territory (NT), Australia and beyond.

Being a dual sector university allows CDU to meet the education needs of Territorians in campuses in Darwin, Alice Springs, Palmerston and Katherine and in study centres in Nhulunbuy and Tennant Creek. CDU has a proud history of delivering on country in some of the NT's most remote locations, bringing training to communities who need it in places such as Galiwinku, Maningrida, Borroloola, Wadeye and Hermannsburg.

At the heart of CDU is to engage First Nations students and support their attainment of vocational and higher education. The NT spans approximately one sixth of Australia's landmass and yet is home to just one per cent of the population, of whom 30 per cent are First Nations peoples.

We embrace the vitality and resilience of the Northern Territory, which is the focus of the nation's most ambitious plans for future development – to unlock the vast potential of Northern Australia and to engage with our neighbours in the Asia Pacific. Due to our location, we are in an enviable position to contribute to the future prosperity of Northern Australia through innovative and impactful training, education and research.

## **Implementing Australia's Universities Accord**

CDU participated extensively in the consultation process to inform the Australian Universities Accord. CDU advocated for and strongly supports the renewed focus on authentic engagement with First Nations and driving greater participation and attainment of tertiary education for equity cohorts.

CDU submitted also in the Universities Accord consultation that school education was critical. CDU noted that NT school students have the lowest or near-lowest levels of literacy and numeracy in Australia, compounded by remoteness. CDU stated that if the Accord is to make a difference to the lives of First Nations peoples in the NT, there must be an improvement in school education outcomes. In this context, CDU acknowledges the significant recent commitment from the Commonwealth Government to increase school funding to the NT. This could indeed be the 'game-changer' so desperately required and better school educational outcomes will improve CDU's longer-term pipeline of tertiary students, both vocational and degree students.

The 2050 targets set out in the Accord, especially to lift the proportion of university-educated Australians aged 25-34 years old from 45 per cent to 55 per cent will require a substantial uplift in participation from equity cohorts. CDU congratulates the Government for committing to these ambitious targets and notes that it will require significant growth.

Maintaining, let alone growing university populations in Australia is a huge task against both the demographic and economic climate. The school leaver cohort has now reached its peak following the baby boom of the early 2000s and with permanent migration likely to stay level, there is simply a slowing number of young adults to apply for tertiary education. Within the NT, the population is currently only growing from net overseas migration. In addition, skills shortages and low unemployment are driving workforce participation and vocational training rather than degree education.

This submission responds to three separate Accord implementation consultations because the implications of the various policy levers under consideration must be cohesive in their implementation. In addition, CDU notes the policy changes to international education, especially the expected introduction of limits (caps) on international students at a provider, course and location level, are intrinsically linked to planning for the implementation of the Accord.

## Summary of Recommendations

### The Australian Tertiary Education Commission:

1. **Prevent Bureaucratic Overload:** Ensure ATEC does not add unnecessary bureaucracy on top of existing regulatory frameworks (TEQSA, ASQA, CRICOS).
2. **Phased and Consultative Implementation:** Implement ATEC in stages, ensuring it is workable for smaller universities like CDU, with consultation to address challenges and ensure a smooth transition.
3. **Independent and Specialised Commission:** Establish ATEC as an independent body from the Department of Education, staffed with university sector experts and adequate resourcing.

### New Managed Growth Funding Model:

4. **Focus Targets on Commencing EFTSL: Streamline Funding Allocation** - Set Managed Growth Targets (MGT) and Managed Demand Driven Targets specifically for Commencing EFTSL to streamline funding allocation and better address sector needs.
5. **Removing the imposition on student choice** for equity cohorts envisaged by the concepts of 'catchment area' and 'similar course offering'.
6. **Enhance Flexibility: Apply a 2% Buffer on Hard Caps** - Implement a +2% buffer on hard caps to improve student load management and optimise the sector's utilisation of published CGS funding each year.

### Needs-Based Funding Model:

1. **Prioritise Equity: Calculate Needs-Based Funding by Headcount, Not EFTSL** - Needs-based funding should be calculated based on headcount and course enrolments rather than EFTSL to ensure equitable support for all students.
2. **Maintain Regional and Remote Students as Separate Equity Cohorts** Ensure Regional and Remote students are retained as distinct equity cohorts, separate from regional loading.
3. **Convene Expert Working Group to Develop Nuanced Equity Funding Formula** Form a working group of university data experts and sector representatives from equity programs to create a more nuanced formula for calculating per-head funding for equity cohorts, considering intersecting and compounding disadvantages.
4. **Allow Flexibility in Funding Use:** Institutions should have the flexibility to allocate funds towards activities that are most relevant to their specific context and the unique needs of their equity students. This includes research projects and administrative costs.

## **The Australian Tertiary Education Commission – a new approach to system stewardship**

CDU welcomes the opportunity to contribute to the design and implementation of the Australian Tertiary Education Commission (ATEC). However, CDU notes the consultation paper includes broad powers and functions without sufficient details to assess them properly. An example is the power to ‘manage international student profiles for public universities’ without reference to the interoperability of the new powers under the ESOS Bill before the Parliament. In a thin market like the NT, the planning of international profiles must take account of efficiencies of scale, as well as attraction to international students.

It is difficult to envisage how the ATEC will have the provider-level expertise, capacity or resource to inform the planning process. CDU is a dual-sector regional university, delivering high-quality degree and TAFE education across a broad geographical scope. It is imperative that the implementation of this new body and its remit to inform load planning is staged and workable for smaller universities like ours.

In implementing a system ‘stewardship’ approach, it is crucial that ATEC strengthens the system without complicating it further for Australian universities.

The University's primary concern is that the ATEC does not impose an additional layer of bureaucracy on top of the existing regulatory frameworks. The University firmly believes that the current oversight by the Tertiary Education Quality and Standards Agency (TEQSA), the Australian Skills Quality Authority (ASQA), and the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) is sufficient to ensure high-quality education and training.

The ATEC rollout should be carefully planned and executed in stages, allowing for iterative evaluation and adjustment. This approach will enable CDU to better manage the transition, address potential challenges, and ensure that the new framework enhances rather than disrupts the quality of education and training provided.

CDU supports Universities Australia's submission that the ATEC be established independent from the Department of Education. This separation would facilitate more objective decision-making, and provide CDU and other institutions with a dedicated body to address concerns and support continuous improvement.

Furthermore, an independent ATEC would be better positioned to develop and implement policies tailored to the unique requirements of universities that serve diverse populations, including international students. This focused approach would ensure that the intended priorities remain effectively aligned with the distinctive demands of the tertiary education sector in the Territory, enhancing the ability of CDU to fulfill its critical role in the community.

The University is aware that the ATEC's broad scope of responsibilities will require significant workforce resources to deliver on its mandate effectively. Therefore, it is crucial the commission be provided with sufficient resources to perform its functions efficiently. In its initial stages, the scope of responsibilities should be realistically aligned with the resources that the government is prepared to allocate.

To achieve ATEC's objectives, CDU advocates for the commission to be composed of experts from within the university sector. These individuals possess a comprehensive understanding of the educational, social, and financial components that constitute universities. Their expertise is essential to ensure the educational insights, understanding of diverse student cohorts and also the financial planning that underpins effective load planning for universities.

## CDU Recommends

- 1. Prevent Bureaucratic Overload:** Ensure ATEC does not add unnecessary bureaucracy on top of existing regulatory frameworks (TEQSA, ASQA, CRICOS).
- 2. Phased and Consultative Implementation:** Implement ATEC in stages, ensuring it is workable for smaller universities like CDU, with consultation to address challenges and ensure a smooth transition.
- 3. Independent and Specialised Commission:** Establish ATEC as an independent body from the Department of Education, staffed with university sector experts and adequate resourcing.

## A New Managed Growth Funding model – driving the vision of a Future Made in Australia

CDU supports the establishment of Managed Growth Targets (MGTs); the proposal to set MGTs in EFTSL rather than in dollar terms; and the principle of seeking to address access to Commonwealth Supported Places. CDU recommended a return to the demand-driven system for all equity students in the Universities Accord which could have opened up access to more equity students.

Around 70 per cent of CDU's students are equity students, with nearly 50 per cent of these equity students not residing in the NT. CDU does not support the imposition on student choice for equity cohorts envisaged by the concepts of 'catchment area' and 'similar course offering' which surely increases complexity in the admissions process, increasing barriers to access and creating conditions which impede students' success.

### Case Study: Equity students applying to CDU from outside CDU's catchment

An equity student from Kununurra in Western Australia applies to study online with CDU. She chooses CDU because she has family in Darwin (the closest capital city) where she can stay while studying any intensives or simulation blocks. She applies for the Bachelor of Nursing program, where demand often exceeds capacity. The minimum ATAR for eligibility for Nursing is 70, and last year, before the introduction of catchments, the cut-off was 75. She has an ATAR of 80 and is confident she will get in.

However, because she is not in CDU's equity catchment (however defined), she is applying to be considered for an offer in the main MGT pool, not the Equity Catchment pool. CDU has CGS funding for 150 new Nursing MGT-funded students and 500 new Managed Demand Driven Equity Target (MDDDET) students.

In the main offer round, the MGT quota of 150 is reached with a cut-off of 85, but the MDDDET pool admits all applicants above 70 and still has available places after the main offer. The applicant from Kununurra is informed she was unsuccessful. At this point, the student is at risk of opting out of study because she needs to go through a further process of applying within her catchment and no longer has the ability to live with her family in Darwin.

This scenario highlights the unintended consequences of the catchment system, which can discourage qualified and motivated students from pursuing their education.

In 2022, CDU was 18 per cent above our Base MBGA, this equated to nearly 800 EFTSL and over 1400 students that CDU enrolled without CGS funding. In 2023 and 2024 the new Equity Places have fully funded CDU's profile. With a large proportion of these equity students from outside the NT, there is not enough detail in the paper about the catchments to fully understand how the extent to which CDU's current demand profile would be funded.

However, for illustrative purposes, if the NT is set as CDU's catchment, then looking ahead, it is estimated that with a full nursing cohort and no growth beyond 2024 levels, CDU's Base MBGA (MGT in the new system), is likely to only meet 85 per cent of CDU's demand in 2026. In practical terms this means CDU would need to reduce our 2026 student intake by 50 per cent to bring our profile under the hard cap; and this will mean a drop in equity participation at CDU.

The addition of 20,000 extra CGS equity places in recent years has been a welcome enhancement to Base MBGAs, helping to offset the slower redistribution of CGS funding envisioned by the JRG and mitigating some of the adverse impacts of underfunding in the current system. However, the consultation paper does not address the validity of the current MBGA and why it would be treated as a preservation level for those under the caps, as oppose to resetting the funding floor.

CDU recommends immediately a lift to the MGBA for institutions enrolled over their MGBA to ensure accurate transition protections are available to all institutions.

The proposal to set targets in Equivalent Full Time Student Load (EFTSL) terms rather than dollar terms is a positive development. However, the introduction of hard caps that encompass both University Commencements and Continuing student load within the Managed Growth Targets (MGTs) presents significant challenges. This approach is likely to lead to under-utilisation of funding across the sector.

Universities that successfully improve student engagement, retention, and progression may be inadvertently penalised, as these improvements would reduce the available commencing EFTSL each year. CDU recommends MGTs are set at commencing EFTSL. CDU further recommends that the hard caps envisaged for the MGTs include a +/- 2 per cent buffer to improve student load management. This would also ensure university staff employment certainly is not compromised by redirecting supply within the system.

### Case Study: CDU load planning with hard caps

Semester 1 admission targets are set in August of the prior year when admissions open. To stay within a hard cap, we must estimate the CGS EFTSL needed to accommodate existing students, factoring in:

- **Summer Semester Intake:** Projecting November intake size.
- **Completion Rate:** Finalised only after March grade releases.
- **Retention Rate:** Can vary by +/-1% due to external factors.
- **Re-Engagement Rate:** 10% of students re-enrol after a break, with similar fluctuations.
- **EFTSL per Student:** Ranges from 0.47 to 0.52 EFTSL per enrolment over five years.

These variables create a margin of +/-2.5% in a typical year, with greater uncertainty in abnormal years like during COVID. While it's possible to correlate labour market conditions with retention and re-engagement rates retrospectively, planning six months in advance requires estimates based on outdated data. Under hard caps, CDU would need to plan conservatively, aiming for the +2.5% upper range to ensure sufficient CGS places for continuing students.

Hard caps would encourage a conservative approach to load planning, likely resulting in a net under-enrolment of 1-2% annually to avoid exceeding the cap.

There would need to be an astounding level of expertise and resource required to achieve an MGT which takes account of skills planning for all students, equity demand-driven profile for equity students; and demand-driven for First Nations. This is further compounded by the concepts of 'eligibility thresholds' and 'scaling to preparedness' envisaged by the Needs-based Funding consultation paper. CDU reflects that this does not appear to correct the Accord's finding that the current system is, 'overly complex, fragmented and difficult to comprehend and needs to be simplified'.

### CDU Recommends

1. **Focus Targets on Commencing EFTSL: Streamline Funding Allocation** - Set Managed Growth Targets (MGT) and Managed Demand Driven Targets specifically for Commencing EFTSL to streamline funding allocation and better address sector needs.
2. **Removing the imposition on student choice** for equity cohorts envisaged by the concepts of 'catchment area' and 'similar course offering'.
3. **Enhance Flexibility: Apply a 2% Buffer on Hard Caps** - Implement a +2% buffer on hard caps to improve student load management and optimise the sector's utilisation of published CGS funding each year.



## **Needs-based Funding – supporting more students to participate and succeed**

CDU agrees that the current funding system is complex and not fit for purpose and CDU supports consolidation. However, it would be preferable to consider needs-based funding along with course-based funding to ensure their correlation.

The current government investment in Higher Education Participation and Partnerships Program (HEPPP), Regional Loading and Disability Support Funding does not adjust with changes in the volume of equity students in the sector, meaning the available funds to support equity students at an institution can vary from year to year based on the size of the HEPPP envelope, not the number of students.

The new proposed approach improves this by committing to funding an amount per student and increasing this as the number of equity students in the sector grows. This is a welcome change. However, the proposal still refers to EFTSL rather than actual people in the calculation, and it seems to conflate the increased cost of operating in a region with the increased cost of supporting students from regional or remote backgrounds.

However, as CDU submitted to the Accord consultation that student support funding should be calculated on a per student, rather than per EFTSL basis. CDU maintains doing so would ensure more adequate supports to students whose needs are not scaleable to their student load.

For example, First Nations students at CDU are more likely to be women and mature-aged. They often carry a higher cultural load, have greater family and caregiving responsibilities, and face significant financial obligations. These factors affect their ability to study full-time, making EFTSL-based funding inversely proportional to their needs. Addressing their needs should be based on student headcount, not EFTSL.

Calculating funds based on EFTSL overlooks the reality that many equity students require substantial upfront assistance to navigate the initial stages of their university journey. This assistance includes academic advising, counselling, financial aid guidance, and other support services that are critical for their success. These needs are not proportionate to the number of units the student is enrolled in but are essential for ensuring they can effectively commence and continue their studies.

Therefore, a funding model that truly supports equity students should consider the comprehensive support required at the outset of their academic journey, rather than linking financial resources strictly to EFTSL. This approach would better align with the goal of fostering an inclusive and supportive educational environment and drive equity targets.

The paper specifies that needs-based funding cannot be allocated to services that universities are already obligated to provide, such as orientation, counselling, and career services. This restriction poses a potential issue for universities, especially those in remote and regional areas, where additional support is often necessary to ensure that students from under-represented backgrounds can access these essential services.

### **Regional loading distinct from the cost of supporting students from regional or remote backgrounds**

CDU does not agree with the conflation of costs of operating in a region with the increased costs of supporting students from regional and remote backgrounds.

The paper largely overlooks the additional costs of supporting regional and remote students as an equity cohort. Department consultation suggests a significant overlap with Low SES and First Nations students within the Regional and Remote equity cohort, implying that, once this overlap is adjusted for, there is minimal disadvantage for regional and remote cohorts.

However, this assumption is flawed. The remoteness of a student's background, combined with Low SES and First Nations status, compounds the challenges they face. Low SES or First Nations students from major cities typically have better outcomes and require less support compared to their counterparts from regional and remote areas.

The current HEPPP funding model includes provisions to support Regional and Remote Students separately from regional loading. The Accord acknowledged that this funding is insufficient, particularly when addressing the complexities of intersecting disadvantages.

Many CDU First Nations students are admitted through enabling or non-traditional pathways. Consequently, measures of academic preparedness should include a range of metrics to predict success accurately. Currently, these metrics are not well-defined, and more work is needed to align academic expectations with admissions standards. Once admitted, ongoing student support services must be adequately funded. This includes services currently associated with ISSP and AFB funding, as well as direct personal contact to monitor student progress and well-being.

CDU notes that the needs-based funding consultation paper foreshadows further work on eligibility thresholds for people with disability. It is difficult to comment on the concept of without this detail, and it is unclear whether eligibility thresholds are relevant for other equity cohorts (apart from disability).

Whilst CDU supports the idea of linking funding to academic preparedness eventually, but recommend that this not be included initially, because it is adding complexity and would be difficult to achieve for non-ATAR pathways students. CDU is conscious the overall objective is to remove barriers for equity students, not create new ones.

CDU supports accountability for funding through university compacts and the Framework of Equity Support Activities outlined in the consultation paper.

### CDU Recommends

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- 2. Maintain Regional and Remote Students as Separate Equity Cohorts** Ensure Regional and Remote students are retained as distinct equity cohorts, separate from regional loading.
- 3. Convene Expert Working Group to Develop Nuanced Equity Funding Formula** Form a working group of university data experts and sector representatives from equity programs to create a more nuanced formula for calculating per-head funding for equity cohorts, considering intersecting and compounding disadvantages.
- 4. Allow Flexibility in Funding Use:** Institutions should have the flexibility to allocate funds towards activities that are most relevant to their specific context and the unique needs of their equity students. This includes research projects and administrative costs.