



NEW INDEXATION ARRANGEMENTS

The Rudd Government is investing \$578 million over three years to deliver new indexation arrangements for Australian universities to help them meet the cost of quality teaching, learning and research.

From 2012, all programs funded under the *Higher Education Support Act 2003* (including grants for teaching and learning and research) will be indexed under new arrangements. The Safety Net Adjustment (SNA) component, which makes up 75 per cent of the current index, will be replaced with a wage price index (discounted by 10 per cent for productivity) that is comparable to the Labour Price Index (Professional) recommended by the Bradley Review of Australian Higher Education.

In 2011 the increase in indexation relating to non-research funding will be provided as conditional funding tied to agreements covering the achievement of institutional performance targets.

The revised indexation arrangements will also apply to maximum student contribution amounts from 2011 and to the OS-HELP maximum loan amount and the FEE-HELP borrowing limit from 2012.

Existing indexation arrangements that were introduced in 1995 no longer adequately reflect increasing costs in the higher education sector. The change in indexation arrangements will improve funding for all higher education providers across teaching, learning and research by maintaining the real value of the Commonwealth's funding and student contributions. Revised indexation will use a wage cost index that better reflects professional salary movements.

Conditional funding in 2011 will be the first stage in encouraging improved performance by higher education providers. It will provide a transition to the new performance funding arrangements that will be comprehensively introduced from 2012.

Conditional funding totaling \$94.6 million in 2011 will be provided as facilitation payments to those providers that agree to achieve institutional targets for improvements in quality, participation and student engagement. These payments will be allocated on the basis of shares of Commonwealth supported student load and National Institutes funding. The achievement of these targets will be rewarded by the new performance funding from 2012.

Benefits

Conditional funding in 2011 will be tied to agreement to performance targets developed at institutional level for all Table A higher education providers that receive Commonwealth Grant Scheme funding. It will be rolled into their base funding in 2012.

All higher education providers that receive funding under the *Higher Education Support Act 2003* will benefit from increased indexation in 2012.*

As part of this initiative some existing programs will be streamlined. Funding for the Workplace Reform Program and the Improving the Practical Component of Teacher Education Program will be rolled into funding cluster rates under the Commonwealth Grant Scheme from 2010, with funding for the latter program added to the Education cluster.

Next steps

Consultation with higher education providers on the arrangements for the conditional funding in 2011 will be undertaken and agreements finalised before the end of 2010.

Amendments to the *Higher Education Support Act 2003* will be required to implement this measure.

* Subject to finalisation of the new index before 2012, it is estimated that it will be around 1.8 percentage points higher than the existing index.