



INDEPENDENT
HIGHER EDUCATION
AUSTRALIA

IHEA SUBMISSION

CONSULTATION ON A NATIONAL NEEDS–BASED FUNDING IMPLEMENTATION CONSULTATION PAPER

9 August 2024

IHEA Submission

Needs–based Funding Implementation Consultation Paper

Independent Higher Education Australia appreciates the opportunity to provide feedback on the Department of Education's (DoE) Needs–based Funding Implementation Consultation Paper, for which submissions are due by 9 August 2024.

Overview of Needs–based Funding proposal

Rationale and targets

The consultation paper states that Needs–based Funding would deliver a fairer system to support a higher proportion of students from under–represented backgrounds through to completion. The data referred to in the paper is from DoE's 2022 higher education data for students at Table A and B providers, which shows that students from these groups face barriers to finishing university, with success rates (the proportion of actual student load who pass) falling below the national figure (86.81) for First Nations students (75.08, 12 percentage points lower); students with disability (81.21; 6 percentage points lower); students from low SES backgrounds (82.38 – 83.25 depending on the measure used, 4 percentage points lower); and students living in a regional or remote area while studying (82.32 for remote, up to 4.5 percentage points lower).

However, the Consultation paper provides no further insight regarding participation targets to grow the proportion of undergraduate university students from under–represented backgrounds. In the Australian Universities Accord Final Report, it identified increasing participation of the following groups by 2035:

- First Nations students from 2.1 per cent to 3.3 per cent of the total population.
- Students from lowest quartile SES backgrounds from 17.0 per cent to 20.2 per cent of the total population.
- Regional, rural and remote students from 19.8 per cent to 24.0 per cent of the total population.

The Australian Government is yet to agree to these, or a revised set of targets. In the context of Needs–based Funding as well as the Government's expectation that growth in participation of equity students will be a feature of achieving the attainment of a tertiary education qualification attainment (to increase from 60 per cent in 2023 to 80 per cent in 2050), it was expected that the Government would commit to targets to achieve these ambitions. The tertiary attainment target has been agreed by the Government and given the stated importance of these targets in delivering "a skilled workforce to meet the changing needs of the economy through a tertiary education attainment target" (p.17, Accord Final Report) and achieving "growth necessary to meet future skills requirements" (p.4, Accord Final Report), we are seeking clarity on the Government's approach to setting equity targets.

The proposal

The Consultation paper does not state the proposed commencement date of Needs–based Funding so understanding the timing to allow for transition arrangements will be important. Further, while the paper outlines the philosophy around how Needs–based Funding would work, it does not outline the methodologies for determining the funding, which will be important to understand. We look forward to receiving further information and detail about the methodologies well in advance of the commencement of Needs-based Funding.

The paper reflects that the new Needs–based Funding model would include a per–student funding amount (calculated based on Equivalent full–time student load (EFTSL)) for under–represented students (low SES students, First Nations students and students with disability¹ enrolled in Commonwealth Supported Places (CSP) at Table A providers and Commonwealth supported students studying at regional and remote campuses of Table

¹ Disability will be the subject of a separate process to this consultation.

A providers. It is stated that Needs-based funding would be a core element of the new funding system, which could be scaled by academic preparedness. It is unclear how a scale would be developed for academic preparedness to inform differential levels of funding. Without having access to the detail, there is a risk that this may lead to a level of unnecessary complexity for what is supposed to be a streamlined funding system. We would caution against such complexity given that Needs-based Funding is proposed to replace the current grant-based, fixed funding, equity programs, which the paper states as being complex and no longer fit-for-purpose.

It is understood that the funding would be used primarily for the benefit of students within the identified cohorts, but it is anticipated that academic supports provided via Needs-based Funding would continue to be available to all students who may benefit from additional support to ensure their successful completion.

As such, it is unclear why the funding is based on EFTSL rather than headcount. If particular students require specific needs or additional support, then that will be based on them as individuals and not how they fit into an EFTSL determination. Regardless of any given student's full-time equivalency, their needs will be individual and more appropriately supported through funding as a headcount. Furthermore, needs-based is defined as being designated as being part of a cohort, and ignores the fact that students in genuine need may not be directly supported based on how they fit into a defined cohort, notwithstanding potential flow on effects/ancillary benefits to students who are not in the identified cohorts.

Clarity between Needs-based Funding and the Support for Students Policy is also needed. As outlined on DoE's website, "the purpose of the Support for Students Policy is to ensure that higher education providers have practices and services in place to identify and support students that are identified as at risk of not successfully completing their units of study for many and varied reasons". There is clearly a significant intersection between Support for Students Policy and Needs-based Funding. However, while the Support for Students Policy requirements apply to higher education providers approved under the *Higher Education Support Act 2003* (which includes independent higher education providers offering FEE-HELP), Needs-based Funding will only support students in a CSP at Table A providers.

The Support for Students Policy places a requirement on a number of providers, of which only a smaller subset will receive Needs-based Funding, to ostensibly achieve the same outcome of supporting students in need. Independent higher education providers should also be funded to support students in need and from equity groups to receive support to complete their courses. Independent higher education providers have a strong track record of supporting students, including students who require additional assistance, and will be pivotal to supporting increased participation in higher education by students from disadvantaged cohorts, which has been identified as necessary to meet the nation's skills needs. A first step is to make CSP available to independent higher education providers, which is discussed later in this submission.

Determination of needs that goes beyond being part of a designated equity group

IHEA believes further thought should be given to identifying the specific needs of students who are in need of support. The Consultation paper does not specifically address this issue, but rather focuses on what a possible response or solution may be. Going back to first principles to identify the types of needs students may have will be pivotal to ensure that there is a clear connection between the issues and how they can be appropriately addressed. Simply being a student in an under-represented equity cohort will not itself identify the challenges and needs of those students, let alone students who are not part of those cohorts, but who are equally in need and deserving of support.

A deficiency may also exist in the definitions for inclusion in the various equity groups, which emphasises the importance of focussing on the needs of students beyond equity group representation. For example, regional funding will support students studying at regional campuses, rather than supporting students from regional areas, regardless of where they study. This seems to consider the "higher costs regional providers face to deliver courses

in regional Australia”, rather than supporting and addressing the needs of regional students to overcome obstacles to realise their higher education ambitions.

Furthermore, support for Low SES students will be based on their residential address being in an area in the bottom 25 per cent of the Socio–Economic Indexes for Areas Index of Education and Occupation for 15 to 64 year olds. However, what this measure does not consider is that there may be students residing outside of a designated Low SES areas who require assistance and conversely that there will be students residing within the Low SES areas who are not in need of additional assistance and support. The bluntness of such a calculation will mean that the determination of the support a provider receives may not be an accurate reflection of the extent to which their student cohort requires support.

As such, further consideration needs to be given to eligibility to ensure students in need, regardless of whether they are part of an under–represented cohort or not, are supported through the proposed funding arrangements.

Activities that funding can support

Providers would be required to invest in evidence–based academic and student support activities that primarily support students from these equity groups to complete their degrees. This may include direct financial supports delivered to students including scholarships and bursaries, academic and inclusion supports such as mentoring and peer learning, and other indirect supports that help students from disadvantaged backgrounds to participate and succeed in higher education.

It is understood that a Framework of Equity Support Activities (the Framework) will be developed, which would provide a comprehensive best practice approach that could be adopted to the needs of students and universities. The Framework would focus on equity interventions and details the specific support activities that are proven to deliver positive equity outcomes. This could include direct financial supports delivered to students, academic and inclusion supports.

Indexation of funding

The Consultation Paper also raises whether Needs–based Funding contributions could be indexed by the Consumer Price Index (CPI) under Part 5–6 of the *Higher Education Support Act 2003*, so that contributions keep up with changes to the costs of supports and within an overall CPI–based cost constraint.

Such an approach appears sensible and would align with the current approaches to indexation of existing equity support programs such as the Higher Education Participation and Partnerships Program (HEPPP).

Data and Evaluation

The Consultation Paper also seeks guidance on how the Government could improve the quality of data collection and analysis across the sector, to accurately recognise eligibility for Needs–based Funding and enhance understanding of the experience of identified cohorts in higher education.

A fully functional and operational Tertiary Collection of Student Information (TCSI) should be able to deliver real time data on students in need to support funding decisions.

Needs–based Funding would be evaluated within five years of implementation to measure if it has increased success and completions by equity cohorts.

Reporting

The Consultation Paper proposes that providers would be required to report on allocation and expenditure of funds to ensure transparency and accountability. They would also be required to provide evidence and participate in evaluation activities that demonstrate their supports are working. These supports could be set out in a Framework of Equity Support Activities intended to evolve over time to allow for innovation and emerging evidence.

It will be important that the reporting and administration of Needs-based Funding is clear and streamlined and does not unnecessarily divert providers from the key goal of supporting their students.

Access to Commonwealth Supported Places (CSP)

Disappointingly, Needs-based Funding to address the cost of teaching students with backgrounds who require additional support, does not provide funding to incentivise and support students or providers in the independent sector. However, because of their values, size, diverse delivery models, niche course offerings, student services and support, flexibility and responsiveness and as safe places to study, independent providers are extremely agile and well placed to support students with specific needs.

Further, limiting this support to Table A providers appears short-sighted, given that public universities are understood to effectively be at capacity and will struggle to support growth in students from under-represented groups. Indeed, “exploring the case for the establishment of new public universities in under-served areas” (p.36, Accord Final Report) will be a costly response to ensure that the proposed growth can be supported.

As such, Independent higher education providers should be included in Needs-based Funding, a first step of which is for these providers to be able to access CSP, as articulated in our response to the Managed Growth Funding Implementation System Consultation Paper. To re-iterate:

- It is important for all domestic higher education students to be supported to study in the fields of their choosing, including those that will address current and future skills needs and shortages.
- While overlooked in the recent Accord process, IHEA continues to support the recommendation of the 2008 Bradley Review that access to CSP be extended across the sector following the establishment of TEQSA. Access to funded places for all registered providers will deliver equity for all students.
- As a recent and successful example, the rollout of the Higher Education Relief Package during COVID-19 included the funding of 20,000 CSP for short courses across the higher education sector, with 1,000 places at independent providers funded through a \$7 million allocation.
- Some opportunities to include independent providers to address skills shortages in priority areas have already been missed, at the detriment to the nation.
 - On 6 November 2023, the Government allocated \$160 million for Commonwealth Teaching Scholarships to support new undergraduate and postgraduate teaching students to meet the costs of their study. This fails to address the critical need for teachers within the independent sector, who are partnering with schools to deliver a range of innovative programs to address the supply of teachers.
 - Another missed opportunity includes limiting eligibility to Commonwealth Prac Payment to students who are studying teaching, nursing and midwifery, and social work and nursing to those in a CSP. Those students at independent providers who are not in a CSP will not be able to access a payment of \$319.50 per week to support them during the during the periods that they undertake a placement.

The role of the Australian Tertiary Education Commission (ATEC)

It is stated that the Australian Tertiary Education Commission (ATEC) would have a role as the system steward to implement Needs-based Funding. While we defer to our submission on the Australian Tertiary Education Commission Implementation Consultation Paper, we would re-iterate some of our concerns in terms of the proposed establishment and operation of ATEC, which will be relevant in its consideration of funding issues:

- That ATEC is being created within a system that already includes established regulatory, advisory and administrative agencies, councils, commissions and government departments. A clear delineation of

responsibilities must be established to prevent unnecessary complexity, redundant policy, and conflicting compliance requirements. Policy levers that are already available to one of the existing agencies (e.g. compliance reporting on issues of quality, currently sitting with TEQSA and ASQA) must be explicitly removed from ATECs ambit, or the scope of activities for the existing body must be formally amended. One example of possible overlap will be on the Support for Students policy, for which DoE is the designated regulator. Additional requirements/overlap on this issue with ATEC will lead to confusion and increased regulatory burden.

- Ensuing a student focus and a diverse, competitive and innovative sector that is made up of providers of different shapes, sizes, structures and missions, and underpinned by coherent policy settings that assure quality while supporting institutional autonomy and mission–focus. There is a concern that the proposed model for the ATEC will lead to a sole focus on public universities at the detriment of the broader sector, and most importantly, students.
- If, as proposed, ATEC will be embedded within DoE for operational purposes, it will require careful management, noting that some responsibilities of ATEC and DoE overlap (e.g. policy advice to the government of the day) while the short–term objectives will sometimes diverge. This will challenge ATEC’s independence when it is effectively embedded as another group within DoE’s existing structure.

Who We Are

Independent Higher Education Australia Ltd. (IHEA) is a peak body established in 2001 to represent Australian independent (private sector) higher education institutions. Our membership spans independent universities, university colleges and other institutes of higher education, all of which are registered higher education providers accredited by the national higher education regulator, TEQSA or associate members seeking registration.

Our Vision is that: students, domestic and international, have open and equitable access to world class independent higher education in Australia, built on the foundations of equity, choice, and diversity.

Our Mission is to represent independent higher education and promote recognition and respect of independent providers as they contribute to Australian education, the Australian economy, and to society in general. We achieve this by promoting continuous improvement of academic and quality standards within member institutions, by advocating equity for their staff and students, and by delivering services that further strengthen independent providers' reputations as innovative, sustainable, and responsive to the needs of industry and other relevant stakeholders in both higher education and vocational education and training. IHEA's commitment is to excellence, productivity and growth in independent higher education being delivered through a trusted Australian education system underpinned by equity, choice, and diversity.

IHEA members have different missions, scales, and course offerings across the full AQF range (Diplomas to Doctorates). Members comprise:

- Four private universities (Bond University, Torrens University, University of Divinity and Avondale University).
- Six University Colleges (Alphacrucis University College, Moore Theological College, Australian College of Theology, Sydney College of Divinity, SAE University College and the Australian College of Applied Professions).
- Six self-accrediting institutes (Griffith College, Kaplan Business School, Marcus Oldham College, Excelsia College, The College of Law and the Australian College of Applied Professions).
- Sixty nine not-for-profit and for-profit institutions of Higher Education; and related corporate entities.

IHEA members teach approximately 74 percent of the students in the independent sector (i.e., more than 130,000 students) and educate students in a range of disciplines, including law, agricultural science, architecture, business, accounting, tourism and hospitality, education, health sciences, theology, creative arts, information technology, and social sciences.

IHEA holds a unique position in higher education as a representative peak body of higher education providers. Membership in IHEA is only open to providers registered, or seeking registration, with the Australian regulator – TEQSA. However, some IHEA members are dual and multi-sector providers who also deliver VET and/or English Language Intensive Courses for Overseas Students (ELICOS) courses.

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Appendix: Questions asked in the Consultation Paper

Implementation issues for consideration

Eligibility for Needs-based Funding

- What could Government consider when setting eligibility for Needs-based Funding within the identified cohorts?

Needs-based Funding contribution amounts

- How could contribution amounts consider the concept of cumulative disadvantage, where a student belongs to more than one identified equity group?

Potential scaling and proxy for academic preparedness

- What are the effects of academic preparedness on student outcomes in higher education? How could these be reflected in the approach to scaling of per-student Needs-based Funding?
- Would ATAR be an appropriate proxy for academic preparedness? How could academic preparedness best be measured where a new student does not have an ATAR?
- How would a system of scaling for academic preparedness interact with Needs-based Funding contributions which are used for direct student supports?

Framework of activities

- What types of supports could providers be able to use Needs-based Funding for, including direct, academic and inclusion, and indirect supports?
- Should there be guidance on how funding is split between direct, academic and inclusion, and indirect student supports?
- Would an outcome-based framework for funding accountability be more effective than a Framework of Activities? How could this work?

Developing an evidence-based framework for Needs-based Funding activities

- How could the system, including the ATEC, provide scope for innovation, encourage the trialling of new student supports, and share best practice?
- How could Government develop high-quality evidence and strong accountability mechanisms for outcomes that demonstrate support is effective and fit-for-purpose?
- How could the Framework reflect activities targeted at supporting completion and be sensitive to different stages of a student's study, for example high attrition in the early years of study?
- How could student support activities differ for students from alternative entry pathways, for example mature age students or those that enter via preparatory courses.
- How could Needs-based Funding support successful transition into further study or employment?
- How could Government leverage existing expertise, especially through the Australian Centre for Student Equity and Success (ACSES), to enable innovation and grow the evidence base?

Delivery organisations and other programs

- What types of organisations would be suitable to deliver the support activities for identified student groups, including students studying in regional campuses?
- What would be the role of First Nations-led organisations in delivering services to First Nations students and other students?

- How could the Indigenous Student Success Program (ISSP) and Higher Education Participation and Partnerships Program (HEPPP) inform the proposed Needs-based Funding system? What elements of these programs should be adopted to a new Needs-based Funding model? What elements should not be adopted?

Improving data to better understand student demographics and recognise eligibility

- How could Government improve the quality of data collection and analysis across the sector, to accurately recognise eligibility for Needs-based Funding and enhance understanding of the experience of identified cohorts in higher education?
- What data do we need to ensure providers receive appropriate funding for identified cohorts who need additional support and so providers can design and deliver appropriate supports?
- Are current practices of data collection adequate? What could universities improve in collecting student data?