

# Needs-based Funding Consultation Paper

Submission to  
the Department  
of Education

August 2024



THE UNIVERSITY OF  
MELBOURNE



## Executive Summary

The University of Melbourne welcomes the opportunity to respond to the Department's consultation paper on needs-based funding.

Education is one of the most effective ways of driving social mobility and improving social cohesion. However, it is not enough to only provide students from underrepresented backgrounds with access to higher education. Our system must ensure those students are able to thrive in their studies, providing them with the tools and supports they need to succeed and complete their degrees.

The University supports the Government's goal to boost success and completion rates among students from underrepresented backgrounds. As highlighted in the consultation paper, it is important that needs-based funding flows more seamlessly to where it is needed. However, the University is concerned that aspects of the proposed model will not direct funding most effectively and may fail to achieve the Government's aims.

For example, under the proposed model, regional and remote students will no longer attract needs-based funding unless they study at a regional or remote campus. This fails to acknowledge the needs of this cohort that exist regardless of campus location and would undermine fundamentally student choice and agency.

Other aspects of the model may also create a misalignment between funding and needs. The Government's proposal to allocate needs-based funding based on EFTSL rather than head count is problematic. Students' needs do not scale based on their study load. Similarly, scaling funding based on academic preparedness could punish students who have achieved high ATARs in high school despite the structural barriers they have faced. A student who has achieved a high ATAR does not necessarily require fewer supports (such as social and transition supports or mentoring).

Additionally, it appears that postgraduate students will be excluded from needs-based funding. Yet, the barriers equity students face do not disappear upon completing their undergraduate studies. A lack of needs-based funding for these students will contribute to the stratification of the higher education system, undermining students' aspirations for further study.

## Recommendations

In principle, the University supports the introduction of a needs-based funding model. However, the University recommends the following changes to ensure that needs-based funding is most effective:

1. Provide needs-based funding for regional and remote students, regardless of campus location: Regional and remote students require supports regardless of their chosen campus location. Needs-based funding should apply to all regional and remote students to support student choice.
2. Consider expanding needs-based funding to postgraduate students: Students from underrepresented backgrounds still require support during postgraduate study. Needs-based funding should be expanded to include postgraduate students to support retention and completion through the entire academic pipeline and boost diversity in occupations that require postgraduate education.
3. Introduce an individual assessment of circumstances for equity cohorts: As noted in the University's Managed Growth submission, proxy measures (such as first reported address) do not accurately assess individual disadvantage or needs. More nuanced, individual assessments of circumstances are needed.
4. Consult with disability-led organisations and people with lived experience on program design and eligibility settings for students with disability to ensure settings are appropriate.
5. Ensure the needs-based funding model addresses cumulative disadvantage: Needs-based funding must address cumulative disadvantage, as this is associated with poorer higher education outcomes. The Government should refer to the work it commissioned from the Institute for Social Science Research on this issue.

6. Provide needs-based funding on a headcount basis rather than EFTSL: Students' needs do not scale based on their study load. Funding should be based on headcount, following the student as an individual.
7. Avoid scaling funding based on ATARs: Scaling funding based on ATAR could create perverse incentives for universities and students. ATAR does not correlate with needs and should be avoided as a measure for disadvantage.
8. Support universities to direct funding in a way that suits their specific communities, including towards outreach programs: The prescriptive nature of the needs-based funding model may discourage innovation and limit opportunities to pilot new, bespoke programs. It also appears to exclude outreach programs, despite their inclusion in previous equity funding programs. Universities should have flexibility to use funding to respond to local needs.
9. Avoid replacing the Indigenous Student Success Program unless separate, dedicated funding is provided for Indigenous student centres that is equal to, or greater than, the current allocation: The Indigenous Student Success Program (ISSP) currently supports most salaries, services and operations of Indigenous student centres at universities. The Government should therefore avoid replacing or ceasing ISSP unless separate, dedicated funding is provided for these centres.
10. Address other barriers to participation and completion by replacing the Job-Ready Graduates funding regime and examining the adequacy of income support payment rates: Students from underrepresented backgrounds continue to face other significant barriers to access and success, including unfair student contributions under Job-Ready Graduates and inadequate income support payment rates. The Government should address recommendations from the Accord on these issues if it seeks to widen participation and support student success.

For further information or to discuss the submission, Professor Gregor Kennedy, Deputy Vice-Chancellor (Academic) can be contacted at [gek@unimelb.edu.au](mailto:gek@unimelb.edu.au).

## Introduction

The University of Melbourne strongly supports the Government's aims to boost participation and success rates of students from underrepresented backgrounds in higher education. As noted in the Accord, this is not just important from a social justice perspective. Achieving greater equity in higher education will also be necessary to meet the Accord's target of 80% of working people with a tertiary qualification by 2050<sup>1</sup> and to meet the nation's future workforce needs.

The University is firmly committed to this goal. For example, in 2023, the University launched its Narrm Scholarship Program, which guarantees scholarships for all Indigenous Australian students and to students from identified low socioeconomic areas. Additionally, the University guarantees relocation allowances to all eligible students from a regional or remote area of Australia. These programs are part of a step-change in the University's approach to equity and student diversity.

It is crucial that funding flows to where it is needed most, supporting student choice and student success. All students with the capacity to succeed should be able to afford and access a place in higher education and thrive in their studies. Students should not be disadvantaged based on their background, nor their choice of institution.

The University notes that the Government's proposal for a Managed Growth Target (addressed in a separate consultation paper) works against the stated rationale for needs-based funding. As argued in the University's [submission](#) to that consultation, the introduction of hard caps on universities' enrolments could result in fewer domestic enrolments, potentially reducing access for already underrepresented cohorts. The managed growth funding proposals and needs-based funding must be considered jointly to ensure policy coherence, funding efficiency and aligned delivery.

Similarly, the University is concerned that some aspects of the proposed needs-based funding system may undermine the Government's stated aims. These issues are explored below.

## Eligibility and definitions

### Regional and remote students

The consultation paper states that needs-based funding will apply to low SES students, First Nations students, students with disability and students studying at regional campuses. Notably, regional and remote students will no longer attract funding if they choose to study at a metropolitan campus. This marks a significant departure from the Indigenous, Regional and Low-SES Attainment Fund (IRLSAF), which rightly provides funding for all regional and remote students. However, no justification for this change is provided.

This change undermines student choice and fails to acknowledge the needs of this cohort that exist regardless of campus location. Remote students generally have lower application rates, success rates and lower completion rates than low SES students. This is the case across the board, including at metropolitan universities. For example, in 2021, remote students at Group of Eight universities had a success rate of 82.6%, compared to low SES students who had an 84.5% success rate. Similarly, remote students at these universities had a completion rate of 69.8% that year, compared to low SES students at 72.8%.<sup>2</sup> If the intent of the policy is for funding to flow seamlessly to where it is needed, it is unclear why this cohort should be excluded and student choice undermined.

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<sup>1</sup> Commonwealth Government. (2024). [Australian Universities Accord Final Report](#). p. 2

<sup>2</sup> Australian Centre for Student Equity and Success. (2024). [Interactive Tool](#).

This would not preclude the Government from offering a location-based loading to regional campuses, acknowledging the additional costs associated with servicing thin markets. However, this should be separate to the needs-based funding that is provided for regional and remote students, regardless of their campus location.

## Postgraduate students

The consultation paper asks, “How could Needs-based Funding support successful transition into further study or employment?” However, it appears that postgraduate students will be ineligible for needs-based funding, as is currently the case under the Higher Education Participation and Partnerships Program (HEPPP). The University notes that Aboriginal and Torres Strait Islander postgraduate students are currently supported via the Indigenous Student Success Program (ISSP), which provides flexible funding to universities to tailor their services to match student needs. The barriers faced by equity students do not disappear upon completion of undergraduate degrees. The impacts of this are substantial.

Specific data on postgraduate equity outcomes is sparse but a recent study found that apart from students from a non-English speaking background and students from remote areas, the proportional representation of postgraduate completions for all equity groups is much lower than their proportional representation in undergraduate completions. This study concluded that “further work is required on not only improving access to [postgraduate] higher education but in the provision of support services once at university to improve completion rates.”<sup>3</sup>

Additionally, despite a significant increase in the enrolment of Aboriginal and Torres Strait Islander students in higher degrees by research (HDR), completion rates remain low, with these students accounting for just 0.8% of HDR completions. In 2022, only 58 Indigenous Australians completed a doctoral qualification, averaging 1.5 per university per year.<sup>4</sup> Similarly, Indigenous Australians represent only 1.6% of the workforce at Australian universities, with just 39% in academic roles.<sup>5</sup> This underscores the need for investment in appropriate support and services so as to build the pipeline into academic and higher qualified occupations.

Excluding these students from needs-based funding undermines their aspirations. This has ramifications for the diversity of the academic pipeline and certain professions where postgraduate study is required, such as clinical psychology. It also undercuts institutional diversity. The Government should therefore consider expanding needs-based funding to postgraduate students (or at least students enrolled in professional-entry postgraduate programs).

## Definitions of equity cohorts

As outlined in the University’s submission on Managed Growth Funding, there are significant problems with the way equity cohorts are currently defined and identified. For the most part, they do not identify disadvantage at the individual level. For example, low SES status is generally determined through a geographic proxy measure, i.e. first reported address. However, this is an imperfect measure leading to false positives and false negatives. Students who have experienced financial disadvantage but live in a high SES postcode would be classified as high SES. The opposite is also true. To address this issue, the Government should introduce an individual assessment of circumstances, similar to the approach taken under the Free

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<sup>3</sup> Grant-Smith, D., Irmer, B., Mayes, R. (2020) [Equity in postgraduate education in Australia: Widening participation or widening the Gap?](#) p. 23

<sup>4</sup> Commonwealth Government. (2023). [2022 Section 14 Award course completions](#).

<sup>5</sup> Commonwealth Government. (2023). [2023 Staff First Nations](#).

Application for Federal Student Aid (FAFSA) in the United States. This could leverage the processes and data collections of the state-based Tertiary Admissions Centres (TACs).

For students with disability, the Government should ensure that its approach is consistent with the Guiding Principles outlined in *Australia's Disability Strategy 2021 – 2031*.<sup>6</sup> The system should acknowledge that disability can be acquired over time and is not static. The Government will also need to consider and address underreporting. Some students will not flag a disability in their university applications unless they are seeking admission consideration, particularly if they are afraid of stigma.

Finally, the needs-based funding model will need to be nuanced, acknowledging the varying levels of need that exist within each identified cohort. Some students with disability will require greater levels of support than others, for example. A one-size-fits-all loading applied to all students with disability should be avoided. The consultation paper notes that there will be separate consultations with the sector and “disability groups” on these settings, but these groups are not defined. The Government should ensure that this includes disability-led organisations and consider establishing a lived experience working group to ensure eligibility thresholds are set appropriately.

### **Cumulative disadvantage**

It is crucial that the needs-based funding model addresses cumulative disadvantage. Approximately 1 in 10 Australian higher education students experience some form of cumulative disadvantage, which is associated with poorer higher education outcomes (with varying levels of disadvantage across equity groups and stages of student cycle).<sup>7</sup> For example, the Accord noted that attrition rates for low SES students with disability who commenced in 2021 were higher (21.6%) compared with both low SES students (18%) and students with disability (16.9%).<sup>8</sup>

At the same time, providing funding for cumulative disadvantage is complex. A student facing cumulative disadvantage may require double or triple the student services of a student belonging to one equity cohort. However, they may not require double or triple the amount of financial support as another student. Measures of cumulative disadvantage will also need to consider varying levels of need within each cohort (e.g. students with disability).

The Institute for Social Science Research at the University of Queensland was funded by the then Department of Education, Skills and Employment to investigate cumulative disadvantage in higher education in Australia, with the report published in 2020. The University of Melbourne urges the Government to refer to these findings when considering the application of needs-based funding to students belonging to multiple equity cohorts.

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<sup>6</sup> Commonwealth Government. (2021). [Australia's Disability Strategy 2021-2031](#). p. 57-8

<sup>7</sup> Tomaszewski, W., Kubler, M., Perales, F., Clague, D., Xiang, N., & Johnstone, M. (2020). [Investigating the effects of cumulative factors of disadvantage: Final report](#). Institute for Social Science Research. p. 16

<sup>8</sup> Commonwealth Government. (2024). [Australian Universities Accord Final Report](#). p. 138

### **Recommendations:**

- *Provide needs-based funding for regional and remote students, regardless of campus location.*
- *Consider expanding needs-based funding to postgraduate students.*
- *Introduce an individual assessment of circumstances for equity cohorts.*
- *Consult with disability-led organisations and people with lived experience on program design and eligibility settings for students with disability.*
- *Ensure the needs-based funding model addresses cumulative disadvantage.*

## **Practical implementation**

### **Funding based on EFTSL**

The consultation paper argues that adjusting total available funding to student enrolments would “ensure every eligible student attracts the full value of the funding contribution associated with their equity characteristics.” Yet, it proposes that per-student funding amounts be calculated based on Equivalent Full-Time Student Load (EFTSL). Students’ needs do not scale based on their EFTSL. A student that is 0.5 EFTSL does not have half the needs of a student that is 1 EFTSL. Indeed, part-time students are generally at higher risk of dropping out,<sup>9</sup> indicating that they may even require greater support than their full-time counterparts. Funding should be based on headcount, following the student as an individual.

### **Scaling to academic preparedness/ATAR**

The consultation paper proposes scaling funding based on academic preparedness, proxied through ATAR. The consultation paper states that, “it is not intended to lower the minimum academic requirements to entry to university” but this may well be the outcome if universities receive more funding for lower ATAR students. This could recreate the situation observed under the demand-driven funding system, when some universities dropped admissions criteria substantially to enrol more students.

Scaling based on ATAR may also create perverse incentives for students, punishing those who have achieved a high ATAR despite the structural barriers they have faced. ATAR does not necessarily correlate with needs; a high ATAR may indicate that that student received sufficient support in high school, not that they do not have additional needs. For example, a student with a disability does not necessarily require any fewer supports while at university because they achieved a high ATAR in high school. Additionally, *academic* preparedness is not the same as *university* preparedness. Being academically prepared does not prevent a student from feeling excluded or overwhelmed when entering a completely new community and learning environment. Needs-based funding must consider other aspects of the student experience beyond narrow measures of success in secondary school or university subjects.

It is important to note that some researchers have questioned the usefulness of ATAR in predicting student outcomes. For example, a report from the Australian Centre for Student Equity and Success found that the influence of ATAR “as a predictor of university success is questionable for low SES and [First in Family] background students facing disadvantage, and is not as crucial as other factors.”<sup>10</sup> Further, it is unclear how funding would be scaled for those who enter university without an ATAR (such as mature aged students or

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<sup>9</sup> Norton, A., Cherastidham, I., and Mackey, W. (2018). [Dropping out: the benefits and costs of trying university](#). Grattan Institute.

<sup>10</sup> Cunninghame, I., Costello, D., Trinidad, S. (2016). Issues and Trends for Low Socioeconomic Status Background and First-in-Family Students. [Facilitating Student Equity in Australian Higher Education](#). p. 8

those who have pursued vocational subjects in senior secondary). The consultation proposes mode, type of attendance and age as proxies for those students but does not provide evidence that those factors correlate with academic preparedness. The University therefore recommends that the Government avoid scaling funding based on ATAR.

## Eligible programs

Throughout their studies, most university students will need to access support. The Higher Education Standards Guidelines, Support for Students Policy Guidelines and Education Services for Overseas Students (ESOS) require universities to have identified services in place for students. Universities should be funded through appropriate levels of CSP funding to provide these legislated support requirements for all students. Needs-based funding should therefore be utilised to provide additional supports, above and beyond universities' core support services. Equity Practitioners in Higher Education Australasia (EPHEA) has strongly advocated for this to be stipulated within mission-based compacts and university funding agreements.

Under the proposed model, universities would be required to invest in evidence-based academic and student support activities that primarily support students from targeted groups to complete their degrees. The University acknowledges the need for sound evaluation of programs to ensure that funding is invested wisely. However, the prescriptive nature of the needs-based funding model may discourage innovation and limit opportunities to pilot new programs. Importantly, programs that work at one university might not work at others. Universities require flexibility and autonomy to direct funding in a way that suits their specific communities, like that provided under ISSP.

The consultation paper states that needs-based funding should “not be used by providers to deliver any good or service they are otherwise obligated to provide through existing legislation.” This could lead to significant issues in the disability space as it could exclude a broad range of activities that contribute to compliance with the *Disability Discrimination Act 1992* (and Disability Standards for Education). Additionally, the consultation paper says that needs-based funding would “not be funding for individualised student plans”. However, this seems to run counter to the consultation paper’s point that “providers would be required to invest Needs-based Funding into direct, academic and inclusion, and indirect student supports.” Some of the highest impact activities would in fact be delivered through individualised student plans so it is important that these are not excluded from needs-based funding activities. These examples highlight the importance of flexibility and a focus on outcomes rather than specific activities.

Additionally, the consultation paper is silent on outreach programs. Currently, universities are funded under HEPPP to improve participation *as well as* retention and completion rates. Initiatives at the participation and pre-access stages constituted over 65% of primary target expenditure under HEPPP in 2022.<sup>11</sup> These outreach programs are essential for widening participation. Studies have suggested, for example, that “even talented low SES background students did not have adequate knowledge to make decisions concerning university applications and transition.” Moreover, limited supports and information provided by some schools led some low SES students to review university as a “bad investment.”<sup>12</sup>

Outreach programs are essential because they encourage students to pursue a university pathway they might not have otherwise considered. They also help build a sense of belonging that extends beyond the university conducting the outreach. The Accord recognised the importance of these programs, recommending that a separate, dedicated outreach program be developed and resourced outside of the

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<sup>11</sup> Commonwealth Government. (2024). [Australian Universities Accord Final Report](#). p. 128

<sup>12</sup> Cunninghame, I., Costello, D., Trinidad, S. (2016). [Issues and Trends for Low Socioeconomic Status Background and First-in-Family Students](#). *Facilitating Student Equity in Australian Higher Education*. p. 9

needs-based funding model.<sup>13</sup> It is unclear whether the Government intends to do this. If not, needs-based funding should be flexible enough to fund outreach programs to ensure these activities can continue.

### **Programs for First Nations students**

The consultation paper asks what role First Nations-led organisations (such as Aboriginal-Community Controlled Organisations) could play in delivering services to First Nations students. The foundation for service delivery to Indigenous students should be the Indigenous student centre at each university, supported by partnerships with community organisations. The nature of services delivered would differ between universities based on factors such as geographic location, regional context, broader Indigenous community engagement, specific needs, aspirations and priorities of the community, and the university's relationship with the community.

Separately, the consultation paper does not explicitly state which programs will be replaced by needs-based funding, but it seems to imply that these could include ISSP. ISSP offers additional funding to universities to support First Nations students in meeting the challenges of university and achieving success. The program is designed to be flexible, with broad categories for activities, simple eligibility criteria, and straightforward reporting procedures. Universities can tailor the support based on the needs of their specific students. At most universities, the majority of ISSP funding is allocated to the salaries, services, and operations of Indigenous student centres. Therefore, significant changes to ISSP could jeopardise the viability of these centres and the jobs and services they provide. The University would oppose replacing or ceasing ISSP unless separate, dedicated funding is provided for these centres that is equal to, or greater than, the current allocation.

#### **Recommendations:**

- *Provide needs-based funding on a headcount basis rather than EFTSL.*
- *Avoid scaling funding based on ATARs.*
- *Support universities to direct funding in a way that suits their specific communities, including towards outreach programs.*
- *Avoid replacing the Indigenous Student Success Program unless separate, dedicated funding is provided for Indigenous student centres that is equal to, or greater than, the current allocation*

## **Other barriers to participation and completion**

### **Job-Ready Graduates**

The University welcomes the Government's focus on the needs of students from underrepresented backgrounds. However, to date, the Government's proposed reforms have failed to address the direct financial barriers that these students face, including from the Job-Ready Graduates funding regime.

As highlighted in the Universities Accord, the Job-Ready Graduates program unfairly impacted some students (such as those studying humanities and social sciences) who faced much higher student contributions than their peers. This saw many students take on large HELP debts that did not reflect their future earning potential. Evidence suggests that these policies had disproportionate impacts on First Nations students as data suggests they are more likely to study humanities and social sciences than non-Indigenous students.<sup>14</sup> At the same time, the program reduced the amount of funding available to universities to deliver

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<sup>13</sup> Commonwealth Government. (2024). [Australian Universities Accord Final Report](#). p. 129

<sup>14</sup> Hare, J. (2022). [Students ignore costs in choosing university study: analysis](#). *The Australian Financial Review*.

subjects, including in the STEM fields. The Accord argued that this required “urgent remediation”<sup>15</sup>, yet the consultation papers are silent on the program. The Government must replace Job-Ready Graduates as soon as possible if it seeks to broaden tertiary participation and attainment.

### **Income support payments**

It is well understood that financial difficulties can have a significant impact on student success. The Accord noted that First Nations students, low SES students, and regional and remote students were more likely to report financial difficulties as a reason they considered leaving university early.<sup>16</sup> Similarly, the ACSES found that “experiencing financial stress significantly impacts the academic performance of low SES and [First in Family] background students.”<sup>17</sup> For this reason, the Accord recommended that the Government examine the adequacy of income support payment rates, particularly in supporting successful participation and completion outcomes. The University urges the Government to address this recommendation, as this will go a long way to improving outcomes for these students and boosting attainment rates.

#### ***Recommendations:***

- *Address other barriers to participation and completion by replacing the Job-Ready Graduates funding regime and examining the adequacy of income support payment rates.*

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<sup>15</sup> Commonwealth Government. (2024). [Australian Universities Accord Final Report](#). p. 12

<sup>16</sup> Ibid. p. 141

<sup>17</sup> Cunninghame, I., Costello, D., Trinidad, S. (2016). [Issues and Trends for Low Socioeconomic Status Background and First-in-Family Students](#). *Facilitating Student Equity in Australian Higher Education*. p. 9

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