



Needs-based Funding

Implementation consultation

The policy rationale for Needs-based Funding

The Australian Government has committed to implementing a new Needs-based Funding system as a core component of funding for higher education teaching and learning. This is intended to ensure more students from under-represented backgrounds are supported to participate and succeed in higher education, a key part of meeting Australia's future skills needs.

The Accord recommended a new funding system designed to increase tertiary attainment of equity students who have been traditionally under-represented in higher education, directing funding to support enrolled students to complete their degrees. Historically, the level of the government contribution to Commonwealth supported places has been based only on field of study or 'cluster'. The current grant-based, fixed funding equity programs are complex and no longer fit-for-purpose.

A 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 disability) enrolled in Commonwealth supported places at Table A providers, and Commonwealth supported students studying at regional and remote campuses of Table A providers.

This would see current programs replaced by a system in which funding flows more seamlessly to where it is needed – following the student. This 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.

Needs-based Funding would deliver a fairer system that supports a higher proportion of students from under-represented backgrounds through to completion. Evidence shows that students from these groups face barriers to finishing university, with success rates falling below the national figure for First Nations students (12 percentage points lower), students with disability (6 percentage points lower), and students from low SES backgrounds (4 percentage points lower). Similarly, students living in a regional or remote area while studying also succeed at a lower rate compared to the national average (up to 4.5 percentage points lower).¹

This would form part of a suite of reforms to the higher education funding system, including the introduction of FEE-FREE Uni Ready Courses to provide more students with an enabling pathway into

¹ Australian Government Department of Education, *Higher Education Statistics – Student Data – 2022 Section 16 Equity performance data*. Regional and remote students are identified on a different basis than those that would attract a needs-based contribution for studying at a regional campus outlined below.

higher education, and the new Managed Growth Funding System to ensure those from under-represented backgrounds that meet eligibility requirements are offered a Commonwealth supported place. This would create a secure and sustainable funding system and ensure we have the skilled workforce our nation requires to meet the challenges of the future. The Australian Tertiary Education Commission (ATEC) would have a role as the system steward to implement Needs-based Funding.

To ensure Needs-based funding delivers outcomes for students, and so providers can design and deliver appropriate supports, it is important the Government and the sector can properly identify students who are eligible for Needs-based Funding. To ensure policy design is informed by broader reform processes the Government will consult separately with the sector and disability groups to determine appropriate eligibility settings and program design for students with disability. Further information will be made available on the Department of Education's website in due course.

Key elements of Needs-based Funding

Needs-based Funding would be part of a modern, responsive funding model which accounts for the differing needs of students who have been under-represented in higher education. Evidence-based supports would be primarily targeted towards helping students from the identified cohorts, but it is recognised other students that need additional support to complete their studies would also benefit from initiatives put in place by providers. This would ensure students that need it most are supported to participate and succeed, complete their degrees, and gain the benefits of higher education by appropriately funding universities to provide additional learning supports.

- Needs-based Funding would be a core element of the new funding system. Providers would be allocated per-student funding contributions which could be scaled by academic preparedness, for:
 - **low SES students, First Nations students and students with disability**, recognising these students often need additional support to participate and succeed at university.
 - students **studying at regional campuses**, recognising the higher costs regional providers face to deliver courses in regional Australia.
- Providers would be required to **invest in evidence-based academic and student support activities that** primarily support **students from these groups to complete their degrees**. This could 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.
- 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.
- Needs-based Funding would be **evaluated within 5 years** of implementation to measure if it has increased success and completions by equity cohorts.

To ensure additional funding is distributed in a way that genuinely supports students with additional learning needs, key themes to be explored in consultations include:

- eligibility thresholds for Needs-based Funding within the identified cohorts
- whether funding contributions should be scaled to recognise the link between academic preparedness and success
- developing an evidence-based Framework of Equity Support Activities in which Needs-based Funding may be invested, ensuring these activities actively contribute to lifting the attainment levels of under-represented cohorts, and considering how this framework should evolve over time
- ensuring Needs-based Funding is spent effectively by providers, with high-quality evidence and accountability mechanisms for outcomes. This could include verifying that Needs-based Funding is not used by providers to deliver any good or service they are otherwise obligated to provide through existing legislation or any service that is otherwise reasonably funded through an existing support program.
- considering the role of Aboriginal Community-Controlled Organisations and other First Nations-led organisations in the delivery of support and training activities
- potential reform of other funding for equity in higher education including the Indigenous Student Success Program (ISSP)
- improving student data quality and collection to support the system.

Core element of higher education funding

The Australian Government has committed to introducing Needs-based Funding and Managed Growth Funding to increase the number of students from under-represented backgrounds participating and succeeding in higher education. This would be a core element of higher education funding and could allocate a per-student funding contribution to providers, with elements that may be scaled by academic preparedness, to primarily support low SES students, First Nations students, students with disability, and students studying at regional campuses.

Needs-based Funding would be calculated on a per-student basis and delivered to providers to fund activities that support student success in the target equity cohorts. It would not be funding for individualised student plans. A funding contribution (expressed as a dollar value per EFTSL) would be set by Government and assigned to each equity cohort – accounting for overlapping equity group membership.

A major factor influencing the likelihood of student success, and therefore the level of additional support they require, is their level of academic preparedness upon commencement – with ATAR being the primary measure for school leavers. Student data shows that students entering higher education with high ATARs generally achieve lower attrition and higher completion rates. For example, 2021 commencing bachelor-level Commonwealth supported low SES students with an

ATAR of over 90 had an attrition rate of 6%, compared to 17% for those with an ATAR of between 60 and 69².

Elements of Needs-based Funding could be scaled to reflect differing levels of academic preparedness to ensure that total funding allocations received by providers are commensurate with the needs of their student profile. This could be achieved using ATAR data (where available) or, for students entering higher education without an ATAR, academic preparedness may be proxied through other factors associated with attrition, such as mode and type of attendance and age.

Needs-based Funding would be designed to fund providers to support students from the identified cohorts who have gained admission and enrolled in university to succeed and complete their program. It is not intended to lower the minimum academic requirements for entry to university, which are set by the providers, formalised in the Higher Education Standards Framework (Threshold Standards) 2021 and regulated by the Tertiary Education Quality and Standards Agency.³

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

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?

² Australian Government Department of Education, Higher Education Statistics – Student Data – 2022 Section

³ Admissions policies, requirements and procedures are documented, are applied fairly and consistently, and are designed to ensure that admitted students have the academic preparation and proficiency in English needed to participate in their intended study, and no known limitations that would be expected to impede their progression and completion. - Higher Education Standards Framework (Threshold Standards) 2021 Part A:1 – 1.1

- How would a system of scaling for academic preparedness interact with Needs-based Funding contributions which are used for direct student supports?

Providers would be required to invest in evidence-based activities that support students to complete their degrees

Providers would be required to invest Needs-based Funding into direct, academic and inclusion, and indirect student supports for the primary benefit of students from the identified cohorts, to help them complete their degrees. These activities would be specified in a *Framework of Equity Support Activities*, noting there would be scope for innovative models of equity support within the *Framework*.

Providers could be required to outline a plan for using Need-based Funding contributions in their Mission-based Compacts. Providers would be required to report at the end of each year on how Needs-based Funding contributions have been used to achieve positive equity outcomes and the types of supports provided to students. These reports will be acquitted against the *Framework*.

There would be a *Framework of Equity Support Activities (the Framework)* which would provide a comprehensive best practice approach that could be adopted to the needs of students and universities. This *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, and other indirect supports that help students from disadvantaged backgrounds to participate and succeed in higher education. It would be based on research undertaken by the Australian Centre for Student Equity and Success (ACSES) that was used to inform development of the Accord. *The Framework* would be refined based on feedback to this paper and through further consultation on legislative design and the development of guidelines in the year prior to the commencement of Needs-based Funding.

The Framework would be stewarded by the ATEC, who could manage ongoing refinements in consultation with ACSES. The Framework would be reviewed within five years to ensure Needs-based Funding contributions are being spent effectively. This would create a feedback loop to facilitate the evolution of the Framework and ensure it provides a contemporary and rigorous list of evidence-based activities.

The Framework would be grounded in clear evidence of what works, with scope for providers to respond to local community circumstances and opportunities. The *Critical Interventions Framework Part 3: Programs and approaches that enable equity in higher education* (2024) commissioned by ACSES has been used as a robust starting framework of evidence-based equity interventions (excerpted at [Attachment A](#)). The evidence-based framework would also build on lessons learnt through existing equity funding programs, including the Indigenous Student Success Program (ISSP) and the HEPPP. The Student Equity in Higher Education Framework (SEHEEF) provides a framework for the evaluation of equity support programs funded under the HEPPP and can inform the evaluation of Needs-based Funding.

Embedding this wealth of evidence, expertise and analysis at the centre of Needs-based Funding would ensure funding is invested in targeted supports that are proven to make a difference. Examples of equity interventions with demonstrated effectiveness from the Critical Interventions Framework are included at [Attachment B](#).

The Framework should involve scope for innovation to expand the evidence base and a strong feedback loop to ensure evaluation and emerging evidence are integrated over time. The ATEC, through national organisations like ACSES, along with the sector, should play a role in driving the long-term evolution of the framework.

A provider's performance in delivering Needs-based Funding activities may be used to inform the operation of other parts of the funding system. For example, information about a provider's improvements in equity student success from Need-based Funding could be used when assessing requests for additional managed demand driven places for equity students, setting Managed Growth Targets, and negotiating Mission-based Compacts. This approach is in line with the new governance arrangements proposed for the ATEC, which will work closely with the sector to ensure that national objectives are met while considering diverse institutional and community priorities. Evaluation could also be linked to Closing the Gap targets.

Implementation issues for consideration

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?

Total Needs-based Funding could vary in line with student numbers

Needs-based Funding contributions could be allocated on a per-student basis to providers for each eligible student, with total funding responding to changes in identified cohort enrolments. This would ensure all eligible students from the identified cohorts are supported to participate and succeed at university. This would also mean providers receive funding only for the equity students they enrol and none for students they do not enrol, ensuring allocative efficiency in Government expenditure.

Equity support funding in the current system is drawn from a capped envelope and allocated based on each provider's share of total enrolments. This creates a disincentive for universities to exceed their enrolment targets, as universities receive less average per-student funding with increasing student numbers. Allowing total available funding to adjust to student enrolments would remove this disincentive and ensure every eligible student attracts the full value of the funding contribution associated with their equity characteristics.

It is important the Government and the sector properly identify students who are eligible for Needs-based Funding, to ensure providers receive funding for students who need additional support, and so providers can design and deliver appropriate supports.

Implementation issues for consideration

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?

Attachment A: Adapted from the Equity Initiatives Framework 2.0 – Participation life cycle phase

Focus	Transition and engagement	Engagement, Progression and Completion	WIL, Placement and Employability
Stage and target groups	Commencing/first year students	Continuing and later year students	All students, Industry and other organisations
Major principles and aims	<ul style="list-style-type: none"> Supporting student completions Provide academic, social, wellbeing and financial support Develop peer and staff connections Develop sense of belonging and success Provide flexible and inclusive modes of delivery and teaching, curriculum and assessment Develop competencies in discipline area/relevant knowledges 		Support employment and equity outcomes
Key indicators	<ul style="list-style-type: none"> Retention, pass and completion rates (including in specific education types, such as WIL/placements) GPA Student experience and learning outcomes Confidence and sense of belonging measures 		
Any key indicators for student performance must be contextualised to student equity group and study mode			
Intervention types	<ul style="list-style-type: none"> Orientation and bridging programs General and academic support services Peer learning and activities First Nations centres and supports Inclusive and First Nations educational design and pedagogy Continuing professional development for staff in equity First Nations cultural competency training Disability competency training Accessible and equitable online learning and technologies Inclusive student societies and social clubs and activities 	<ul style="list-style-type: none"> Re-engagement strategies for participation, completion and exit qualifications Support and program information, including bridging, postgraduate study, including graduate certificates and diplomas 	<ul style="list-style-type: none"> Equity focused, responsive and supportive employability activities Financial considerations, support and flexible arrangements for students on placement Developing student employability and professional networks
Cross-cutting Interventions	<ul style="list-style-type: none"> Direct student financial support, for example scholarships, bursaries and grants Accessible and affordable housing/accommodation, for example safe accommodation for students at risk of homelessness 		

Attachment B: Examples of participation programs that support equity student outcomes

Table sourced from: Bennett, A., Naylor, R., Hanley, J., Lewis, J., and Burgess. C. (2024). The Critical Interventions Framework Part 3: Programs and approaches that enable equity in higher education – Equity Initiatives Impact Studies Guide. A report for the Australian Centre for Student Equity and Success, Curtin University

Program/Initiative	Description	Methods and data	Impact	Evidence
First Nations				
1. Indigenous Tutorial Assistance Scheme – Tertiary Tuition (ITAS-IT) Multiple universities	ITAS-TT provides Australian government funding for one-to-one and group tutorial study support for Aboriginal and Torres Strait Islander students.	Qualitative – Focus groups and interviews with 18 students who were receiving or had received tutoring, 15 tutors and four university personnel across two regional NSW universities.	Evidence found that ITAS was a vital means of assisting First Nations students to achieve their academic goals, and was highly beneficial, positively influencing the student experience.	Wilks, J., Fleeton, E.R., & Wilson, K. (2017). Indigenous Tutorial Assistance Scheme: Tertiary Tuition and Beyond: Transitioning with strengths and promoting opportunities. <i>Australian Universities Review</i> , 59(1), 14-23.
Low SES				
2. Business for Success (B4S) University of Wollongong	B4S is a faculty specific support program designed to help LSES students with their transition into university, engagement and completion of their degrees using: bridging courses, workshops, resource loans, tutoring allowance, ongoing communication, exam support, peer mentoring and supported internships.	Mixed – Case study using bridging course evaluation questionnaires (121 student respondents), interviews with 4 students, group discussions with 5 students, feedback from 6 peer mentors and 6 mentees, and secondary data on student performance and experience to investigate the B4S program and explore how it addressed structural inequalities associated with students' educational journeys.	The B4S program was found to provide encouragement, support and necessary services to students during their studies and facilitated them in reaching their study goals.	Almeida, S., Ranabahu, N., & Verma, R. (2022). Reducing inequality through institutional action: towards a process framework for student transition and support. <i>Higher Education, Skills and Work-Based Learning</i> , 12(6), 1138-1153.
3. Equity Scholarship Program Macquarie University	The Equity Scholarship Program aims to mitigate associated costs of university for LSES students, enabling and encouraging them to apply to university.	Mixed – Identification of retention rates and collecting narrative data through in-depth, semi structured interviews with scholarship recipients.	Students receiving a scholarship had retention rates of 90.6%, compared with non-scholarship holders 84.1% and LSES non-scholarship students 78.6%.	Reed, R. J., & Hurd, B. (2016). A Value beyond Money? Assessing the Impact of Equity Scholarships: From Access to Success. <i>Studies in Higher Education</i> , 41(7), 1236-1250.

Multiple

<p>4. Succeed at La Trobe (S@LT)</p> <p>La Trobe</p>	<p>S@LT is a commencing student transition and academic outreach program, designed to support retention, academic preparation, and sense of belonging. 'At-risk' students are identified, and personalised, course and subject based advice is developed.</p>	<p>Quantitative – Weighted average marks, retention data and demographic information was retrieved for students who were contacted to calculate academic improvement as a result of the program.</p>	<p>There was clear evidence of success for S@LT participants using several key indicators, including: retention, success, student satisfaction, and academic achievement. Contacted students displayed higher retention rates (80.5%) than those who were not contacted (72.65%). Contact with S@LT also reduced attrition under the university average of 20.77%.</p>	<p>Cox, S., & Naylor, R. (2018). Intra-university partnerships improve student success in a first-year success and retention outreach initiative. <i>Student Success</i>, 9(3), 51-64.</p>
<p>5. Students Together with Academics ensures Retention and Success (STARS)</p> <p>University of Newcastle</p>	<p>The STARS project is aimed at supporting student success in Midwifery programs with traditionally high rates of equity students, and particularly where Professional Practice Experiences (PPE) are part of the program.</p>	<p>Mixed – Data was collected from 42 first year midwifery students enrolled in their first year. Qualitative data was collected via a focus group and quantitative data through university systems.</p>	<p>Impacts of the program showed there were greater retention and progression rates and a shift in the grade distribution towards higher course grades overall. Student satisfaction with learning activities was scored out of 5 and was shown to have increased (3.19 to 4.18) along with course assessment satisfaction (3.55 to 3.91).</p>	<p>Ebert, L., Watkins, S., & Dowse, E. (2021). Students together with academics ensures retention and success: The STARS project. <i>Nurse Education Today</i>, 97, 104723.</p>
<p>6. Equity Scholarships</p> <p>Multiple: Deakin, Queensland University of Technology, University of Sydney</p>	<p>Study reports on the first cross-institutional Australian research to investigate the relationship between equity scholarships and recipients' retention and success outcomes. Scholarships at 3 universities (Independent university, Innovation university, Sandstone university) were investigated - differing approaches including payment type.</p>	<p>Mixed – Comparative case studies based on a snapshot of scholarship recipient retention and success data, and scholarship recipient responses to a survey.</p>	<p>The study found consistently that even a comparatively small scholarship amount aided equity student retention especially when targeting students with high need and life circumstances.</p>	<p>Zacharias et al. (2016). Moving beyond 'acts of faith': effective scholarships for equity students. National Centre for Student Equity in Higher Education (NCSEHE), Perth: Curtin University. Zacharias, N., & Ryan, J. (2021). Moving beyond 'acts of faith': effective scholarships for equity students. <i>Journal of Higher Education Policy & Management</i>, 43(2), 147-165.</p>

Non-English Speaking Background

7. Equity Buddies

Western Sydney University

Equity Buddies at WSU is a student mentoring program recruiting students in their second and third year of university to become mentors for first year students from refugee backgrounds.

Qualitative – 32 intercultural mentor-mentee pairs constituted the study sample. Mentors completed written reflections, logbooks, and a brief demographic survey.

The program enables students to build capital and develop a sense of agency (i.e., control and purpose). It promoted increased social inclusivity and created wider social networks. Mentees became more accustomed to the university environment while mentors gained a widened intercultural perspective

Vickers, M., McCarthy, F., & Zammit, K. (2017). Peer mentoring and intercultural understanding: Support for refugee-background and immigrant students beginning university study. *International Journal of Intercultural Relations*, 60, 198-209.