



Australian Government

Department of Education, Employment and Workplace Relations



**REVIEW OF REGIONAL LOADING
- ISSUES FOR REGIONAL PROVISION**

ISSUES PAPER

December 2009



1. Introduction

The 2008 Review of Australian Higher Education (the Bradley Review) highlighted the complexity of issues that contribute to the challenges of regional higher education provision in Australia, including ensuring its future sustainability and viability in a changing economy¹. The Review made a number of recommendations in response to these challenges including that the current system of regional loading under the Commonwealth Grant Scheme be reviewed. Regional loading (which totalled \$31.2 million in 2009) is paid to eligible higher education providers in recognition of the higher cost of providing places at regional campuses, as a result of their physical location, size and history.

In response, the Australian Government, as part of its *Transforming Australia's Higher Education System* reform agenda, has committed to examining the provision of higher education in regional Australia in particular the appropriateness of regional loading, the current funding model under the Commonwealth Grant Scheme (CGS). The objective of the review of regional loading is to develop options for a new, more logical basis for funding. As part of this review the Government will seek input from key sector stakeholders through a state-based consultation process and will commission research including into good practice in regional higher education, both nationally and internationally.

This Issues Paper, which will supplement the regional loading review stakeholder consultations, invites input from the higher education sector, state and territory government agencies, and other stakeholders such as local government and VET bodies, on key matters relating to the provision of quality higher education in regional Australia, with particular reference to funding and the role of regional loading.

2. Key issues

The challenges which the Bradley Review identified as being associated with the future sustainability and responsiveness of higher education in regional Australia include:

- the increased costs associated with the smaller scale of regional university operations
- relatively low student numbers
- a high proportion of students from a low socio-economic status background
- the difficulty of attracting students to study at regional campuses.

Alongside these challenges, the Bradley Review noted positives of regional higher education provision such as:

- the strong relationships between providers and their communities
- the economic benefits that higher education institutions brings to their regional communities through the expansion of regional skilled labour; as there is evidence that those who study in regional areas are more likely to stay in those areas and contribute to their sustainability².

To ensure the continued relevance of regional higher education provision to a strong and thriving regional Australia, the Bradley Review stated that there was a need for a sustainable system of higher education provision in regional and remote areas that:

- is flexible and innovative
- anticipates and responds rapidly to local needs
- builds upon partnerships with local communities, business and industry and providers in other sectors of education
- makes effective use of institutional cross-collaboration and partnerships and shared use of facilities and resources to maximise student learning outcomes in 'thin markets'.

¹ Australian Government, 2008, *Review of Australian Higher Education Final Report*, Commonwealth of Australia, Canberra.

² Australian Council for Educational Research, (2008), *The 2008 Graduate Pathways Survey*.

The commissioned research and stakeholder consultations will explore different models of service delivery including examples of collaborative and innovative partnership delivery models with agencies such as the VET sector, and possible mechanisms to support a more targeted and sustainable regional higher education system. As the Department of Innovation, Industry, Science and Research (DIISR) has responsibility for higher education research training and research these matters are not included in this review.

To complement the direction and purpose of the State-based consultations, the Issues Paper focuses on four key issues:

- criteria for defining regional higher education
- regional and remote students' access to and participation in higher education
- education service delivery models to enhance regional higher education efficiency and sustainability
- possible funding models to support regional provision.

3. Defining regional higher education

Defining regional higher education

Thirty per cent of Australia's public universities are physically located outside of the metropolitan areas of capital cities. Some of these universities identify as being 'regional' on the basis that they are primarily physically located in a regional area and provide services mainly to their regional communities. However, there is no accepted definition of what constitutes a "regional university"³. In some instances regional provision constitutes a single physical campus, while in others it comprises a multi-campus provider operating both physically and virtually across a number of sites. Some regional universities also have campuses in capital cities and overseas, while some of those universities that are primarily located in 'metropolitan' areas operate substantial regional campuses. See Appendix A for a list of regionally based universities as well as the regional campuses of metropolitan universities, compiled by DEEWR (using desk top research). As providers may have closed some regional campuses and opened others, providers are invited to advise DEEWR of any variations to this list.

A proportion of all domestic students enrolled in Australia's public universities come from regional and remote Australia, independent of whether those universities have a physical presence in a regional or remote area⁴.

Suggested discussion points

- i) How can regional higher education provision be defined so as to distinguish it from metropolitan higher education provision? For example, on what basis should a university or campus be labelled as a regional university/regional campus? What other forms of higher education presence in regional areas should be recognised, e.g. university centres, study centres? Is a physical presence required for purposes of an infrastructure being labelled a regional campus?
- ii) Should the definition of 'regional higher education provision' include those higher education students from regional or remote areas who attend a metropolitan higher education institution?

Definition of a regional campus for purposes of regional loading

The *Backing Australia's Future* higher education reforms, announced in May 2003, introduced a regional loading under the Commonwealth Grant Scheme (CGS). The loading was for eligible higher education providers that offer Commonwealth supported places at regional campuses in recognition of the higher cost of providing places at regional campuses, due to factors such as an institution's location, size and history.

³ Commonwealth Department of Education, Science and Training, (2002), *Varieties of Excellence: Diversity, Specialisation and Regional Engagement*, Canberra ACT.

⁴ DEEWR (2009), *Students 2008 [full year]: selected higher education statistics*, Canberra ACT.

When regional loading was introduced as part of the CGS in 2004, the CGS Guidelines defined a regional campus as one located outside a mainland capital city (other than Darwin), and in a population centre with fewer than 250,000 people (with the exception of Wollongong). Under the regional loading definition, a regional campus was then categorised within one of five bands, established according to two criteria: distance from the closest mainland capital city and the size of the institution. The amount of regional loading was then calculated on a formula based on the equivalent full time student load (EFTSL) at that regional campus⁵.

The CGS Guidelines methodology for calculating regional loading was adjusted in 2007 in order to assist higher education providers to budget for the amount of annual regional loading they could expect to receive each year. The regional loading for 2007 and later years is based on a higher education provider's allocation of regional loading in 2006 (indexed), rather than the above formula.

The value of regional loading in 2009 was \$31.2 million.

Suggested discussion points

- iii) How effective are the regional loading eligibility criteria used prior to 2007 in identifying those regional universities and campuses that require assistance to be sustainable in a demand driven system?
- iv) What criteria do you recommend be used to define a regional campus so that funding can more effectively respond to the costs of regional higher education provision?

Identification of higher education students as being from a 'regional' or 'remote' location

For purposes of eligibility for Australian Government programs and data compilation, there are a number of ways in which the home location of a student can be used to classify a person as being metropolitan, regional or remote, or similar. DEEWR currently uses the MCEETYA Geographical Location Classification model⁶ based on the Australian Bureau of Statistics Accessibility/Remoteness Index of Australia (ARIA) to identify students as being from a metropolitan, regional or remote background. This classification uses a student's home postcode to assess the remoteness of a student's home location on the basis of its potential accessibility to a town and to major services. The MCEETYA categories are:

- Metropolitan - major urban statistical districts with population of 100 000 or more
- Regional (Provincial) - Inner Regional (pop. 25 000 to 99 999), and Outer Regional Areas
- Remote - Remote and Very Remote Areas.

DEEWR has used the MCEETYA classification to report the home backgrounds of higher education students since 2007; however, there are some anomalies between the use of the MCEETYA classification to categorise a student's home background based on post code, and the use of the CGS definition of a regional campus for purposes of regional loading. For example using the MCEETYA definition, a student from a large regional town such as Cairns (QLD) who may self identify as regional, is classified as being metropolitan under MCEETYA, as Cairns is classified as a major city. However, under the CGS definition of a regional campus for regional loading, the Cairns Campus of James Cook University receives regional loading.

Suggested discussion point

- v) How effective is the MCEETYA method for classifying metropolitan, regional and remote students (based on home post code) for identifying those higher education students who should be categorised as regional or remote?

⁵ A complex formula was used for counting only part of the student load associated with distance education enrolments.

⁶ Roger Jones, (2004), *Geolocation Questions and Coding Index*, Report submitted to the Ministerial Council on Education Employment Training and Youth Affairs, November 2004.

4. Regional and remote student access to and participation in higher education

Increased access opportunities

As part of its *Transforming Australia's Higher Education System* reform agenda, the Australian Government is committed to ensuring that Australians of all backgrounds who have the ability and aspiration to undertake higher education should have reasonable access to quality higher education regardless of whether they live in a regional or a metropolitan area. Where a higher education provider has a physical presence in a regional area, prospective students from that area may choose to study with the provider in that area, or attend an institution in either another regional area or a metropolitan area. Central to this question of choice of provider for regional and remote students are issues of proximity, accessibility, the range of available courses (including through distance and flexible modes of learning), and the availability of adequate support to ensure quality outcomes on par with students from metropolitan Australia. Recent research also indicates that factors such as parental levels of educational attainment and income levels, as well as family and student attitudes and aspirations may be more important determinants for regional and remote student participation in higher education than factors such as proximity⁷.

The Australian Government aims that by 2020, 20 per cent of higher education enrolments at the undergraduate level will be students from low socio economic status (SES) backgrounds. Low SES background students currently comprise 15 per cent of domestic enrolments and many of those students who choose to study at regional campuses come from low SES backgrounds or identify as Indigenous⁸. Many regional students are first generation higher education participants and the provision of higher education in regional areas creates participation opportunities for many who would not previously have undertaken higher education. Thus improving higher education provision in regional Australia will be integral to meeting the Government's participation and attainment targets. In 2008, of the 10 higher education providers with the highest proportion of domestic undergraduate students from low SES backgrounds, six were in regional areas⁹.

Increasing aspiration and participation

Raising the aspirations of regional and remote students to participate in higher education is an immediate priority. Around 30 per cent of students from regional areas and around 50 per cent of students from remote areas come from low SES backgrounds compared with around 10 per cent of students from metropolitan areas¹⁰. Although DEEWR data shows that the higher education participation rate of students from regional and remote areas increased between 1996 and 2006¹¹, as the participation rate for students from metropolitan areas increased at a much faster rate, the share of regional and remote students among all domestic students in higher education has fallen¹².

⁷ G N Marks, (2007) in Universities Australia (2008), *Participation and Equity: A review of the participation in higher education of people from low socioeconomic backgrounds and Indigenous people*, prepared by the Centre for the Study of Higher Education, University of Melbourne, March 2008.

⁸ DEEWR (2009), *Higher Education Data Collection*.

⁹ DEEWR (2009), *Selected Higher Education Statistics, Access rates for domestic undergraduate students by higher education provider 2008*.

¹⁰ DEEWR (2009), *Higher Education Data Collection*.

¹¹ DEEWR calculates regional/remote student participation rate on the basis of these students as a proportion of 19-21 year-olds using ABS Census data. The figures below show that although regional participation rates are increasing, metropolitan participation rates are increasing at a faster rate:

	1996	2006
Regional (including remote)	18.3	21.4
Metro	28.4	35.3

¹² DEEWR Higher Education data for enrolment of students from regional and remote areas as a proportion of all domestic students has shown a continuing decline between 2001 and 2008. Enrolment of students from regional areas has declined from 19.0% (2001) to 17.8% (2008), while enrolment of students from remote areas has declined from 1.4% (2001) to 1.1% (2008).

To increase the access and participation of low SES background people in higher education the Australian Government announced new funding in the 2009–10 Budget for the Higher Education Partnerships and Participation Program (HEPPP). The new funding for partnerships is intended to build links between universities, low SES schools and vocational education and training (VET) providers to raise the overall aspirations of low SES background students to participate in higher education, rather than to influence low SES background students to attend a particular institution. This initiative will benefit low SES background students in regional areas who aspire to participate in higher education by enabling them to engage with people, places and opportunities beyond the scope of their own lived experience in regional and remote areas¹³.

HEPP funding will include an enrolment loading, so as to provide an incentive to universities to expand their enrolment of low SES background students and to provide support for those students so as to increase their retention and completion rates.

Suggested discussion points

- vi) How are the access and participation rates for students from regional and remote areas trending in your region or institution?
- vii) In what ways does the proximity of a regional higher education presence affect access and participation rates for regional and remote students? Please provide any evidentiary materials if available.
- viii) In what ways can higher education institutions, schools and VET providers work more collaboratively in regional and remote areas to improve educational attainment, broaden higher education aspirations and increase young people's awareness of the available career and study opportunities? Please describe any examples of good practice.

5. Education service delivery models to enhance regional higher education efficiency and sustainability

Submissions to the Bradley Review demonstrate that a number of educational service models are emerging in regional higher education in response to the servicing of thin markets and limited economies of scale. The models, each of which has challenges and opportunities, include:

- traditional regional campus with face to face service delivery
- flexible delivery and/or blended learning making use of improved communications infrastructure
- collaboration between universities and other sectors whereby higher education providers are making use of purpose-built facilities or schools, VET and community facilities as delivery sites.

The Bradley Review said that in order to maintain a more sustainable regional higher education framework there may be a potential need to rationalise or restructure some smaller regional campuses to enhance quality outcomes. The Bradley Review encouraged providers in remote and regional areas to build upon partnerships with local communities, and providers in other sectors, to develop institutional cross-collaboration and partnerships across sectors to develop more flexible and sustainable higher education provision. There are increasing instances of cooperation and resource sharing between providers across sectors including opportunities for co-location of campuses. Such examples include:

- new collaborations within a single management or administration system which may assist economies of scale, e.g. a dual sector provider

¹³ Nola Alloway and Leanne Dalley-Trim, (2009), 'High and Dry' in rural Australia: Obstacles to student aspirations and expectations, Rural Society Journal, 19/1, 49-59.

- co-locating where regional communities are too small to support a university and a VET institute, e.g. University of Newcastle establishing its Port Macquarie campus on the TAFE NSW North Coast Institute campus in 2004
- co-teaching through a VET-university partnership, e.g. Charles Sturt University and Riverina TAFE offering a combined degree program which allows students to build up their qualifications by undertaking a fully combined degree in areas of skills shortage
- joint delivery and pathways from VET into higher education programs, e.g. The Deakin at Your Doorstep program, funded under the DEEWR Diversity and Structural Adjustment Fund program. This program will commence in 2010 and will allow regional Victorians to study for a VET diploma or Associate Degree embedded in a university degree at local TAFEs from 2010, using interactive e-learning blended with face to face learning. The program also includes credit transfer arrangements. The participating providers have selected the courses to be offered in consultation with each partner rural community in order to meet local skills shortages.

Internationally, there are also models of regional co-operation and collaboration in countries such as Finland and Scotland in recognition of the need for regional higher education providers to be more flexible, agile and targeted in responding to changing regional economic and social demographics. The UHI Millennium Institute in Scotland is a partnership of thirteen colleges and learning and research centres working together to provide university level education to people throughout the highlands and islands of Scotland. The partnership allows even tiny colleges to offer all levels of the qualifications framework. DEEWR has recently commissioned research into models of good practice in regional higher education both nationally and internationally which it is anticipated will provide a useful database of typologies of practice.

Suggested discussion points

- ix) What challenges and opportunities does the Bradley Review recommendation that regional higher education providers improve their outcomes and sustainability through collaboration and partnerships with other providers including VET and schools, offer regional higher education providers in their efforts to provide quality teaching and learning? In your response please provide examples of good practice such as the use of shared infrastructure and resources; co-location; joint delivery; pathways and applications of credit transfer.
- x) What impact are enhancements to the National Broadband Network likely to have on higher education delivery and services in regional areas? Consider issues such as costs, accessibility, integrating services with other providers such as schools and VET, and partnerships with government, industry and business.

6. Some regional funding model options in a student focused system

The Bradley Review raised concerns about the adequacy of, and the method for, allocating regional loading. The Review stated that the loading appeared to be unrelated to any actual cost factors associated with the participation of regional and remote students in higher education, and that it was not sufficiently targeted to those institutions that may require greater assistance to be viable and sustainable.

In their submissions to the Bradley Review, a number of regional providers said that the regional loading which they currently receive for their regional campuses was inadequate to meet the additional costs of delivery in regional areas and as a result they were required to cross-subsidise regional campuses with other funding. They argued that many regional campuses are relatively small and geographically isolated, so there are diseconomies of scale and increased infrastructure costs. As most regional universities are also multi-campus operations there are additional financial pressures because of the need to provide duplicate facilities such as libraries and

laboratories, as well as administrative and support services. Some providers also told the Bradley Review that because of their isolation, there was less potential for them to diversify revenue sources. These providers assert that there are fewer opportunities for commercial partnerships in smaller regional centres, as well as reduced capacity to compete for fee-paying students (e.g. international and postgraduate students).

In the context of the overall higher education reform agenda DEEWR invites you to consider a number of funding models:

- a formula-driven institution centred funding based upon factors such as provider geographical location, size and history of service delivery
- a demand-driven formulaic allocation based on the characteristics of the student grouping, e.g. home location is in a regional or remote area, or place of study is in a regional or remote location
- a competitive grant scheme which rewards best practice to improve student learning outcomes
- funding the achievement of performance targets in relation to regional provision as negotiated with each institution.

Each of the above proposed funding models has advantages and limitations. Options will need to be considered in the context of the Bradley Review's recommendation (Recommendation 25) that the overall approach to Government higher education funding should be driven by student demand, largely formula based with fewer separate small components of funding, fair, transparent and simple to administer and understand. Formula-based funding is predictable to some degree and relatively simple for institutions to manage while still responding to changes in regional higher education provision. However, a formula-based funding model may have limited capacity to respond to the large range of differences and needs in regional higher education provision and may not offer certainty to providers in a demand-driven funding system.

A competitive grant scheme has higher administrative costs for institutions and is less predictable; however, it does allow targeted responses to local needs. A competitive grant scheme also allows Government to set policy objectives for regional higher education, though the extent to which the policy objectives are achieved may depend on the proposals received.

If funding is subject to providers reaching performance targets negotiated with each institution, it can target the needs of each location in the context of the Australian Government's policy objectives. However, this funding model has higher administrative costs for institutions and may be complex to manage within fixed annual funding.

Suggested discussion points

- xi) What differences in costs do providers incur in providing quality higher education in regional areas (including in the flexible and blended modes), compared to metropolitan areas? In what ways are regional operations affected by the amount of funding available? What potential is there to access diverse revenue sources? Please provide examples and evidence of additional costs that can be directly attributable to regional provision.
- xii) To what extent are the additional costs of regional higher education attributable to operation in regional and remote areas as distinct from costs resulting from a multi-campus operational model? Please provide any available data to verify your response.
- xiii) What are some elements of a funding model which could be put in place to replace the current regional loading, so that the funding most effectively supports regional higher education provision and targets greatest need? Consider issues such as whether funding should be institutionally or student centred; whether it should be provided through a formula or a competitive grant; or whether funding should be subject to reaching performance targets negotiated with each institution; or any combination of the above.

7. Next steps – how to make a submission

This Issues Paper is intended to canvass key issues for consideration with respect to higher education provision in regional Australia, in particular the current funding arrangements via the regional loading allocation method. Written submissions are invited to supplement input received through the state-based consultations and the findings of the DEEWR commissioned research which includes identification of good practice in regional higher education (both nationally and internationally). The review outcomes will assist the Australian Government to develop a new, more logical basis for funding regional higher education.

DEEWR invites responses to this paper for the purposes of addressing the issues raised and providing relevant evidence regarding the needs of regional areas and the costs of providing higher education, along with examples of good practice with the potential for broader adoption.

Submissions should be lodged by close of business on **26 February 2010**.

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Your submission should clearly identify:

- Name of organisation or individual
- If an organisation, please indicate the name of a contact person
- Address
- Email
- Phone

Enquiries about the Issues Paper may be directed to Ms Bettina Cooke, Director, Regional Provision Unit, Policy and Stakeholder Engagement Branch, Higher Education Group, on (02) 6240 9072, or via email to regionalHE@deewr.gov.au .

Please note that DEEWR usually publishes written submissions that it receives and reserves the right to publish any written submissions received by it and the names of all persons making written submissions in the course of this process, on the Transforming Australia's Higher Education System website.

DEEWR will not accept submissions that are provided on a wholly confidential basis. However, submissions may include appended material that is marked as 'confidential' and severable from the covering submission. If you consider that information in your submission should be treated as confidential, please clearly indicate this in your submission or in a cover note and provide reasons for your request. DEEWR reserves the right to accept or refuse a request to treat information as confidential and will use the criteria set out in the Department of Finance and Deregulation's Financial Management Guidance No. 3 on confidentiality in procurement, July 2007, as a guide in determining whether to accept a claim of confidentiality or not.

Ownership of all intellectual property rights in submissions shall vest in the authors of those submissions. However, each author of a submission grants to the Commonwealth a permanent royalty free licence to use, reproduce, adapt and exploit intellectual property rights in the submission for any purpose.

APPENDIX A

Regionally based universities and those metropolitan universities with regional campuses¹⁴

State	Institution	Regional Loading (2009) ¹⁵	Regional Campus		
NSW	Charles Sturt University	\$1,873,431	Albury		
			Bathurst		
			Dubbo		
			Goulburn		
			Orange		
			Wagga		
	Southern Cross University	\$1,244,576	Lismore		
			Coffs Harbour		
	University of New England	\$1,967,060	Tweed-Gold Coast		
			Armidale		
			University of Newcastle	\$ 50,655	Port Macquarie
			University of Sydney	\$ 8,476	See footnote 16 below ¹⁶
			University of Wollongong	\$1,140,580	Batemans Bay
					Bega
Moss Vale					
Nowra					
VICTORIA	Deakin University	\$ 595,946	Wollongong		
			Geelong		
	La Trobe University	\$1,034,275	Warrnambool		
			Wodonga		
			Bendigo		
			Mildura		
	Monash University	\$ 199,043	Shepparton		
			Gippsland (Churchill)		
	Royal Melbourne Institute of Technology	\$ 31,796	Bairnsdale		
	University of Ballarat	\$1,356,828	Hamilton		
			Ballarat (Mt Helen)		
	University of Melbourne	\$ 43,313	Horsham		
			Creswick		
	QLD	Central Queensland University	\$1,891,624	Dookie	
Bundaberg					
Emerald					
Gladstone					
Mackay					
Rockhampton					
James Cook University	\$4,340,389	Sunshine Coast (Pomona)			
		Cairns			

¹⁴ This is a provisional list only compiled by DEEWR using desk top research so as to identify potential regionally based universities and their campuses, and the regional campuses of metropolitan universities. Providers are invited to update this list. Those institutions not listed do not currently receive regional loading.

¹⁵ The CGS Guidelines methodology for calculating regional loading for 2007 and later years (including 2009) is based on a higher education provider's allocation of regional loading in 2006 (indexed).

¹⁶ The CGS Guidelines methodology for allocating regional loading is based on 2006 data which is indexed each year. University of Sydney's Orange campus no longer operates as it has been transferred to Charles Sturt University.

State	Institution	Regional Loading (2009) ¹⁵	Regional Campus
			Mackay
			Mt Isa
			Thursday Island
			Townsville
	Queensland University of Technology	\$ 32,879	Caboolture
	University of Queensland	\$ 102,302	Gatton
	University of Southern Queensland	\$1,464,782	Hervey Bay (Fraser Coast)
			Toowoomba
	University of the Sunshine Coast	\$1,118,355	Sippy Downs
WA	Curtin University of Technology	\$ 223,634	Albany
			Esperance
			Geraldton
			Kalgoorlie
			Margaret River
			Northam
			Pilbarra (Karratha)
			Port Hedland
	Edith Cowan University	\$ 180,972	Albany
			Bunbury
			Geraldton
			Margaret River
			Broome
	Murdoch University	\$ 218,637	Mandurah (Clifton)
			Rockingham
	University of Western Australia	\$ 49,213	Albany
SA	Flinders University of South Australia	\$ 21,888	Renmark
	University of Adelaide	\$ 72,240	Roseworthy
	University of South Australia	\$ 94,910	Mt Gambier
			Whyalla
TAS	University of Tasmania (incorporating Australian Maritime College)	\$5,466,199	Hobart
			Burnie
			Launceston
NT	Batchelor Institute of Indigenous Tertiary Education	\$1,047,210	Batchelor (inc Darwin)
			Alice Springs
	Charles Darwin University	\$5,046,894	Darwin (Casuarina) Campus
			Alice Springs
Multi-state	Australian Catholic Uni	\$ 183,570	Ballarat
	Notre Dame University	\$ 65,630	Broome
Total 2009		\$31,167,307	