



VCD19/34

The University of New England's Response to the Department of Education & Training's discussion paper *Performance Based funding for the Commonwealth Grant Scheme*.

Introduction to the University of New England

Located in Armidale, in the heart of northern inland New South Wales, the University of New England (UNE) was the first Australian university established outside a capital city. With a history extending back to the 1920s, UNE has a well-earned reputation as one of Australia's leading universities.

Through its pioneering role in the provision of distance education, UNE has contributed to the nation's development for more than half a century — while enhancing the lives of thousands of people who would otherwise have been unable to pursue university studies. Today, UNE is extending its reach through the adoption of the latest digital technologies, and is recognised as an innovator in flexible online education.

Response to the discussion paper

UNE welcomes the opportunity to provide feedback on the design of the proposed performance based funding (PBF) scheme. UNE supports the principle of a transparent, performance driven funding scheme for Australian higher education. However, it is vital that any scheme is designed in a manner which ensures that the nuances of the system and the domestic market are taken into account. UNE is pleased to offer the following insights on the focus questions proposed by the Department in the above named discussion paper.

Distributing and Growth the Performance Based Funding

With regard to methods of growth for the PBF scheme from 2021, the paper makes clear the intention to increase the total funding packet in line with the rate of growth of the 18-64 year old sector of the population. The proposed rate of funding increase represents a very poor commitment on the part of the Commonwealth Government to invest in higher education in

Australia, and is in stark contrast to the successful demand driven model. UNE believes that the proposal to determine institutional funding on the basis of regional population growth is inequitable, dated and does not reflect the digitally mobile nature of the higher education sector in Australia. It is likely that this would exacerbate the existing structural disadvantage of regional areas and some states (e.g. Tasmania), given that it is likely that some areas may experience population stagnation, or contraction. Furthermore, higher education participation rates are typically lower in regional areas and would essentially be locked in under the proposed funding arrangements. Under the s30-27(3)(a)&(b) of the *Higher Education Support Act 2003* a provider's Maximum Basic Grant Amount (MBGA) cannot be less than the previous year's amount. Presumably for areas with a negative population growth rate, the MGBA would then remain frozen even in the event of meeting or exceeding their targets. Furthermore, as the provision of higher education online continues to grow, the geographic population characteristics become less meaningful. This approach would also be problematic for a number of organisations with multiple campuses across various regions and states. **Therefore, for the above reasons, UNE opposes the application of regional or state growth rates to individual organisations.**

Determining and measuring targets associated with a Performance Based Funding Scheme

With regard to how the PBF component is treated from 2021, UNE supports the implementation of the PBF as an augmentation to institutional MBGA. As noted previously, the MGBA for any given year cannot currently be less than the previous year, as such UNE does not believe that the PBF from 2021 onwards could be compounded to form a larger at-risk funding component. UNE notes that should the PBF be made under section 41-10 ('Other Grants') of the *Higher Education Support Act 2003*, as opposed to as an augmentation to the MBGA, then the PBF could function as a larger at risk component of funding. As this would represent the further potential decrease in funding, UNE does not support dealing with the PBF scheme under the 'Other Grants' section of the Act. **UNE supports the implementation of the PBF as an augmentation to the MBGA for each institution.**

In relation to the types of performance measures that the scheme might draw on, UNE agrees that the three broad categories of student experience, graduate outcomes and equity are appropriate domains. However, it is important that within these three categories, metrics are aligned further to target cohorts at each institution. For example, it is unrealistic to expect a part-time cohort of students to have the same completion timeframe for a bachelor's degree as full-time students (six years). UNE would also urge the Department to consider the multiple bases of disadvantage which will mean that for some cohorts of students risk factors will compound (for example: regional, part-time students). These factors must be taken into account when

determining which type of performance measures should be used, and **UNE supports a design in which the measures included draw on the data already collected by the Government.** However, **UNE opposes the use of DNER as a factor in determining PBF,** as the provision of HECS loans is a matter between the Government and student, and institutions should not be held accountable for an arrangement beyond our control.

The paper proposes a model whereby there are a number of compulsory measures, complemented by supplementary measures which can be tailored to meet the specific mission of the organisation. It also suggests that there is scope to set targets for specific cohorts of students such as Indigenous and regional/remote students. This would allow institutions to define a certain proportion of the performance targets to ensure that the composition of their student cohorts and their particular mission are reflected in the performance standards that they are held to. **UNE supports the adoption of a scheme that includes both mandatory (sector wide) and supplementary (institution specific) performance measures which are developed on consideration of the mission and cohort characteristics of each institution.**

Further, UNE supports the use of measures drawn predominantly from those which are measured by the statistics compiled by the Department of Education and Training and the surveys conducted for the Quality Indicators for Learning and Teaching (QILT) website, as this approach should minimise any additional administrative burden for both individual institutions and for the Department in terms of data collection under a PBF scheme. UNE supports the emphasis on the importance of institutionally relevant performance measures raised in the paper but also acknowledges that reference to peer performance is an important aspect of any PBF system.

Of the three options for setting performance measure benchmarks outlined in the paper, UNE feels that either the weighted average method (b), or regression analysis (c) offer the most useful methods of performance measurement. As the paper points out, regression analysis adds a level of complexity to the scheme, nevertheless, it may prove most useful as it allows the institutional factors affecting attrition rates to be isolated from cohort characteristics and therefore gives the most accurate assessment of the impact of institutional treatments for issues such as attrition. **UNE considers that metrics and benchmarks must be developed at a level which allows for each various cohort in individual institutions to be identified and ascribed targets which are realistic.** It should be noted that a broad-brush approach which would see single targets for completion rates would create perverse incentives for institutions to exclude students from cohorts which are deemed to be high risk.

Maintaining a Performance Based Funding Scheme

It is important that the entire PBF component of the CGS funding be distributed each year, otherwise there would be a decline in the total funding of the CGS, which would represent a further cut to higher education funding. The redistribution of the portion of PBF funding that was not awarded to unsuccessful universities could be redistributed on an annual basis, however, it should not be done in a way that disadvantages the prospects of unsuccessful universities to achieve a PBF funding component in future years. Furthermore, it should only be allocated as a bonus for exceptional performance, for example to those institutions that exceed a stretch target, and in a way which avoids perverse incentives such as the exclusion of students from cohorts which, traditionally, have poorer outcomes. **UNE supports the full distribution of the PBF component of CGS funding each year.**

With regard to the lag time associated with some potential metrics, UNE is generally of the opinion that it is preferable to minimise the gap between the performance measurements and funding. However, given the focus on retention and student completion rates it is realistic to expect that for these measures there will be up to 18 months in lag.

In terms of the regulation and maintenance of the scheme, UNE feels that this should be done at the Department level rather than in the form of a legislative instrument. As the CGS Guidelines are an instrument of Parliament, to include the PBF scheme in the Guidelines would add to the complexity of maintaining the scheme. It is preferable that there is some other arrangement for the regulation of the scheme, and the inclusion of the performance requirements for each institution in their funding agreement would allow for greater flexibility and design of the measures for each institution. The Compact system could also incorporate a PBF system. As institutional funding agreements are publically accessible documents, the scheme would remain transparent. Given the inherent lag time of some of the proposed performance measures, institutional funding agreements should reflect this by stating that the PBF component will be based on past performance over a specified period. **UNE supports the regulation of the PBF scheme through the inclusion of the performance requirements in institutional funding agreements, which explicitly reflect the lag in the data on which the PBF is measured.**

Should you wish to discuss our submission further, please contact vcadministration@une.edu.au.