

**SUBMISSION TO THE PERFORMANCE-BASED FUNDING (PBF) FOR THE COMMONWEALTH GRANT SCHEME**

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1. **How should the PBF scheme be implemented?**

*Consideration 1: how to grow a university’s PBF amount from 2021*

As many Australian universities operate multiple campuses in different geographic locations around the country, and all Australian universities attract and enrol students from areas outside their immediate geographical locations, the application of the national population growth rate to each university is more appropriate than the application of a regional-based population growth rate. Moreover, the national population growth rate facilitates student choice across all providers in Australia, including regional and remote areas that could be disadvantaged in the application of local or regional population growth.

*Consideration 2: how to treat a university’s PBF amount from 2021*

From 2021, the PBF should continue to be added to a university’s MBGA such that the amount of funding at risk under the PBF scheme each year remains stable (ie doesn’t grow). Such an approach reduces the risk of the funds being spent on short-term/ potentially ineffective initiatives/ projects and provides universities with the level of certainty required to make medium - longer term strategic investments.

1. **What performance measures should the PBF scheme draw on?**

The proposed measures of student satisfaction, attrition, retention, completion, employment/ further study and equity are worthy of consideration - albeit there must be a mechanism/ capacity for allowances to be made for factors outside an institution’s control (e.g., a downturn in the economy due to recession which may affect graduate outcomes).

Using repayment of HELP debt as a measure should not be considered for reasons including the following:

* many life factors that are beyond the purview of a university contribute to a graduate’s ability to repay HELP debts;
* Repayment rates are impacted by multifactorial reasons, especially for equity students. This measure is at odds with the proposed measures in relation to equity students. This may be a disincentive for universities to engage with equity students; and
* Importantly, this measure fails to discern the gender disparity in the HELP system, whereby many women take longer to pay off HELP as result of maternity leave and part-time income (without interest relief) or do not return to the workforce at all for extended periods of time. This will have a disproportionate impact on universities which offer programs traditionally undertaken by higher percentages of females, such as Nursing, Teaching, Allied Health and Law.

1. **How should the PBF scheme be designed?**

The concept of compulsory measures and supplementary measures which are chosen by the individual institutions would be the most appropriate approach. This would be true to the design principle “Fair” and allow recognition of a university’s distinct character/purpose to be incorporated into the design of the PBF scheme.

1. **How should performance measure benchmarks be set?**

If the aim of the PBF is to improve the performance of all institutions and raise the quality of the student experience for all students irrespective of their choice of provider (noting for some that choice may be limited by region and many other competing factors such as mode of delivery, course offerings, location or economic reasons), the primary focus of the benchmark measures should be on each university demonstrating internal improvement (or, in some cases, consistent high level performance). That is, the majority of benchmarks should be measured an institution’s own rolling average – underpinned by a sector-wide baseline ‘threshold’ (that is not based on a ranking).

Diversity of student cohorts and institutional missions must be accounted for and normalised when setting performance benchmarks. The statements in the Discussion Paper that “controlling for student characteristics appears to make very little difference to the relative performance of institutions in terms of measured attrition rates” the influence of student backgrounds on institutional performance may be overstated”, are counter to international findings (Harvey, Cakitaki & Brett, 2018). Harvey et al note that the Australian PBF model *must* learn from those schemes implemented in the US and UK which found that the use of ‘split metrics’ is paramount in fairly assessing performance whilst also accommodating for student characteristics.

The size of an institution needs to be accounted for. Small changes have a significantly higher statistical impact, both positive and negative for smaller institutions.

1. **Should the PBF funding of unsuccessful universities be redistributed?**

The direction of unallocated PBF funding to the reallocation of designated places is preferable to an automatic redistribution among successful universities. Consideration should be given to directing the funds towards strategic higher education projects/ initiatives – which could be open to all universities on a competitive basis.

1. **How much “lag” is acceptable between PBF data and the funding year?**

Regardless of the performance measures used, there will inevitably be a ‘lag’. Ideally, the lag should be less than 12 months – but, a period of up to 2 years would be acceptable.

1. **how should the PBF scheme be regulated?**

The PBF should be regulated through a combination of amendment of the *Commonwealth Grant Scheme Guidelines* (on the general outline of the scheme) and the usage of individual funding agreements where there are institutional specific measures.