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By email to HEReform@education.gov.au

Discussion Paper on Performance-Based funding for the Commonwealth Grant Scheme – response from Edith Cowan University

The following submission is made on behalf of Edith Cowan University (ECU) and is intended to contribute to the design principles for the Commonwealth Government's development of a performance-based funding (PBF) system.

ECU does not consider performance-based funding to be a suitable methodology for funding growth in the Commonwealth Grant Scheme (CGS). In addition, it is unlikely that this model will incentivise universities, or drive performance improvement for the sector as a whole, given that universities are already subject to extensive regulation and rigorous monitoring of performance. The PBF will instead introduce additional administration processes and costs. ECU suggests that further research on PBF systems be undertaken prior to implementation, in consideration of the experiences of similar schemes in the UK and US and their issues, unintended consequences and limited benefit overall. Modelling would also help inform some of the discussion paper's questions on the design of the PBF scheme.

The following feedback is provided regarding the consultation paper questions.

1. How should the PBF scheme be implemented?

The maximum amount of PBF available for distribution to universities should be based on the national population growth rate for 18-64 year olds, rather than local or regional population growth rates. This will provide a less complex and more equitable approach. State population projections show greater volatility and it is difficult to see how local declines for this age group, or population change arising from state/ territory immigration policy, would be accounted for.

PBF should be added into a university's maximum base grant amount (MBGA) to provide greater certainty in planning of teaching activities.

2. What performance measures should the PBF scheme draw on?

Gaining agreement on one set of performance metrics will be difficult given the significant variation between universities in terms of their missions and strategic directions.

A small number of common measures may be appropriate, supplemented by State-specific measures that allow for regional differences. Once the data definitions for all metrics have been agreed, these need to be left unchanged, to ensure that universities are able to monitor their own performance in a way consistent with the Department's own assessment.

Performance measures must be selected where the direct influence and control of the university is evident and substantial. Moderation of performance results through regression analysis, and other methods should be avoided, in favour of simple metrics with limited external factors at play.

Comments on specific performance measures are included below. In all cases, the metrics should relate to the domestic Bachelor student cohort only.

- First year attrition/ retention. Supported.
- Completion rates. Supported, but this should be nine years not six, in line with contemporary study practices.
- Student satisfaction. Supported.
- Graduate outcome. Many external factors, including the prevailing labour market conditions in a state/ territory, impinge on short-term graduate outcomes. Longitudinal graduate outcomes measured through the GOS-L show less volatility and may be preferable. A common metric from the GOS and ESS – “graduate preparedness” – would also provide an appropriate measure.
- Equity measures. Supported. ECU recommends the use of headcount not EFTSL, given the tendency for part-time attendance from these cohorts. State-based targets may be appropriate here to allow for collaboration between universities to achieve improved equity group participation.
- DNER. ECU does not support the use of this measure.

3. How should the PBF scheme be designed?

ECU supports the use of a set of core measures applicable to all universities, supplemented by a small number of other measures negotiated bilaterally by the Department and each university. This will also allow providers to align to the university’s strategic goals and address any State-specific targets for, for example, equity participation in higher education.

4. How should performance measure benchmarks be set?

Any benchmark, or minimum performance standard, must be set at a level that is fair and achievable. Rewarding performance relative to others, is however, likely to be “unfair” when small differences in performance are translated into ranking positions with cut-offs for the award of funding. Bandings and/ or weightings for performance payments (rather than “all or nothing”) should be considered. The benchmark(s) need to be transparent and easy to replicate, so that universities are able to understand how their own performance has translated into performance funding allocations. This is an area which would benefit from further research and modelling using historical data to understand better how the distribution of universities for each metric potentially changes the funding awarded.

5. Should the PBF funding of unsuccessful universities be redistributed?

ECU suggests that funding unallocated after a PBF “excellence round” should be made available to allocate to universities showing improvement over a time series (a separate “improvement round”). Any remaining funding could be made available for specific performance improvement initiatives or projects at the Minister’s discretion.

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

Funding will need to be received at the commencement of the funding year in order to ensure that it supports the delivery of planned activities. ECU suggests wherever possible avoiding the use of metrics that lag by more than 12 months.

7. How should the PBF scheme be regulated?

ECU supports the option to amend the Commonwealth Grant Scheme Guidelines and for bilateral negotiation of targets, for three years, as part of the existing Funding Agreements and compacts.

A suitable review date needs to be built into the PBF scheme, perhaps six years (two funding agreement rounds) after implementation, allowing the model to be assessed against the stated aims of the scheme.

Further information about this submission

If you require further information or clarification, please contact Steven Newman, Manager, Strategy and Performance, by email: s.newman@ecu.edu.au or by telephone: (08) 6304 2296.

Yours sincerely

A handwritten signature in blue ink, appearing to read 's. ridings', with a long horizontal stroke extending to the right.

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