



VICTORIA UNIVERSITY
PERFORMANCE-BASED FUNDING FOR THE
COMMONWEALTH GRANT SCHEME
SUBMISSION

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VICTORIA UNIVERSITY DETAILS

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- Dr Daniel House
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Harvey, A., Cakitaki, B., & Brett, M. (2018). *Principles for equity in higher education performance funding*. Report for the National Centre for Student Equity in Higher Education Research. Melbourne: Centre for Higher Education Equity and Diversity Research, La Trobe University.

BACKGROUND

We note that the Government is looking at introducing performance-based funding for the Commonwealth Grant Scheme with the view to:

- Enhance and ensure quality in Australian higher education sector.
- Incentivise improvement at poorer performing universities.
- Ensure efficient spending of public funding.

Victoria University (VU) welcomes the opportunity to provide feedback on the discussion paper.

VU's submission to the Review is framed against its vision as the 'the University of Opportunity and Success'. The University is committed to being open and excellent, creating exceptional value for any student from any background and uplifting the communities in which we operate.

We have provided some general feedback on the principles and practical application of a performance based funding scheme, followed by responses to the specific questions asked in the paper.

GENERAL COMMENTS

VU is not opposed to performance measurement. However, VU has concerns about how the Government can apply performance measures fairly and accurately, how to incorporate equity considerations, and how the Government will manage any unintended consequences and distortions of the sector.

- It is unclear what problem the proposed PBF scheme is attempting to solve. There is an implication that universities are not currently working to provide a better student experience and quality teaching, when in fact a great deal of effort and resources are being devoted to this.
- The sector is already heavily regulated and subject to accountability and quality frameworks. Creating an additional layer, of such complexity, is likely to increase administrative burden (and therefore cost) for both providers and the Department.
- Other performance-based funding schemes in Australia and overseas have demonstrated the challenges of making direct links between performance and outcomes. The most recent Australian scheme, the Learning and Teaching Performance Fund, saw the funds dominated by the most selective institutions. It is important to learn the lessons from this experience and ensure that a PBF scheme does not simply reward selectivity. In the UK, the Teaching Excellence and Student Outcomes Framework (TEF) is currently being reviewed, amid controversy over the metrics used.
- The potential that denial of funding makes it challenging to fund initiatives that could improve performance.
- If the Government is keen to 'ensure efficient spending of public funding', how will 'efficiency' be defined and how far will that reach into university decision making on operations and strategic expenditure? There is potential overreach a concept like demonstrative efficiency could have. For smaller universities, like VU, there is a certain 'minimum viable spend' to keep services running, and it is likely that they will need to spend proportionately more on some administrative services simply because of their size.
- Universities are currently considering their response to predictions about the future of employment, which is likely to result in significant changes in how and when students access higher education across their lives. The current

proposed PBF measures are based on essentially linear expectations of 'traditional' student behaviour, and are unlikely to remain fit-for-purpose in the near future.

- VU would be interested to see how the Government intends to adjust for the complex interplay between multiple performance measures, and in this changing employment market. The discussion paper mentions three universities with high attrition, but their graduates enjoy high levels of employment. Would the two factors cancel one another out? How would a PBF work in circumstances where, for example, the employment market is so buoyant that a partial degree is enough for a student to gain full time employment?

VU'S RECOMMENDATIONS

To address these concerns, VU makes the following recommendations should the Government decide to go ahead with implementing a PBF scheme:

1. A performance based funding scheme should adjust performance measures to accommodate institutional characteristics, including:

a. Each institution's mission and student cohorts

In order to fairly assess educational institutions' performance, it is important to account for diverse student populations. The measures and calculation methods should be adjusted for each institution's circumstance and context, for example students' background such as ATAR and socio-demographic factors.

One example of how this can be approached is in the way VU has developed value added measures to capture its particular student characteristics and backgrounds. A retention measure was developed, called 'VU predicted' or 'VU expected', with the following features:

- Obtained National average retention rates by ATAR band
- Applied National Average retention rates by ATAR Band to VU's ATAR profile e.g if VU has 40% of commencing students in the ATAR Band 50-60 then this would mean 0.4 times the national retention rate for the ATAR 50-60 band, if VU has 20% in the 70-80 Band then this would mean 0.2 times the national retention rate in the ATAR band 70-80
- This exercise is repeated across all ATAR bands and summed to give expected/predicted VU retention rate
- The expected/predicted retention rate is then compared with the observed retention rate
- It was found for VU that the observed rate was higher than expected/predicted rate: ie VU is performing better than what might be expected given its ATAR profile.

This analysis only captures students admitted with an ATAR, so students admitted via direct application are not counted. It is, however, a useful starting point from which to consider measures that are a true reflection of how well each institution is performing given its specific characteristics.

b. Unique teaching models

VU's introduction of the Block Model illustrates the case for adjusting performance measures to account for institutional distinctiveness. Under this model, students study one unit at a time, in a four-week block. Classes are no bigger than 30 students and teaching strategies have changed to encourage interaction between students and their teachers. The change was made in response to the specific needs and characteristics of our diverse student cohort.

In the first year of operation, every measure of learning has improved including grades, pass rates, attendance and engagement. Attrition also appears to have dropped, although it is difficult to determine using the official definition. Under block mode, VU has four census dates in each semester, and some students are using this flexibility to move in and out of study as their lives allow. 'Retention' may therefore look different for VU at the standard census dates. VU is now in a situation where performance on student experience and outcomes has clearly improved significantly, but the official measurement of retention no longer makes sense for our cohort.

Other universities may consider changes to their models over time, to suit the needs of their own cohorts. Any PBF scheme must therefore be designed with enough flexibility that it recognises and rewards universities who choose to innovate in order to improve learning outcomes, rather than penalising them if the innovations no longer fit traditional performance measures.

2. That universities can identify, for example, three key areas in which they intend to improve and use these to measure performance.

This method adjusts for institutional characteristics rather than a 'one-size-fits-all', making the scheme a positive development tool rather than a punitive one.

3. That the Commonwealth makes national-level data available in a more timely manner than is currently provided for some measures.

While some time lags are unavoidable, other data should be available sooner to facilitate a PBF that is more responsive to the most recent conditions.

4. Should a PBF scheme be adopted, VU proposes a trial run is performed in 2020.

With a scheme of such potential impact, it would be prudent to first test that the data and processes are sound.

RESPONSE TO CONSULTATION QUESTIONS

1. How should the PBF scheme be implemented?

- It is important for universities like VU, with campuses situated in areas of rapid population growth well above the national rate, that the Commonwealth adopt the regional population-based approach. The regional approach may need to be more detailed than on a state-by-state basis: the west of Melbourne, for example, is experiencing a growth rate of 2.5% which is even higher than the Victorian rate.
- While it may be policy for the Commonwealth funding component for bachelor courses to increase at the rate of population growth for 18-64 year old cohort, this would have a negative effect on the sector in the short and long term. VU's initial load modelling for 2020 suggests a \$12 million unfunded Commonwealth component out of \$340 million in load-derived revenue – about 3.5%, which is significant for any university highly dependent on undergraduate load.

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

At a surface level, the proposed measures seem reasonable, however each measure on a broad level can too easily mask differences between institutions and the cohorts they serve. Should a PBF scheme be adopted, VU hopes that the Government is able to accommodate these complexities. We discuss these under each proposed measure below.

Student Experience

First year student attrition/retention:

- If this measure is used, then the Commonwealth should take innovative teaching practices into account. VU has introduced the Block Model which is not tied to traditional semesters. It gives students the option of not enrolling in the first two blocks of the year, which covers the Semester 1 Census date for most universities. For VU, retained at any stage within the next year is more relevant – and this could also be a measure applied to other universities, especially those offering three trimesters where students could study full time in trimesters 2 and 3.
- For dual sector institutions in particular – but also of worth for all institutions – the Commonwealth should consider including retention in the TAFE sector as a good performance outcome. For example, if a student leaves an engineering degree having discovered that their ambition is in fact to study plumbing that is still a good outcome for the individual and for society. This adds a layer of administrative complexity given that the sectors are currently treated separately, however the recent Senate Select Committee on the Future of Work and Workers recommended better integration between the VET and higher education sectors:

'we need an education and training system that allows for seamless transitions throughout a lifetime of learning. To achieve this, Australia's postsecondary education systems should work together more effectively so that:

- *Students can move flexibly between institutions and qualifications;*
 - *Re-entry into education and training is easier...'¹*
- Retention and attrition, as currently measured, are based on certain longstanding expectations of how students should behave in the HE sector: essentially, in a linear fashion with few breaks or changes of direction. However, we already know that factors such as part-time status, distance study and a range of equity characteristics do impact on retention rates. We also know that how and when students choose to access university are changing along with changes to the future of the workforce. The Government's own review into the AQF acknowledges these changes and the impact they may have on the sector in the near future. These factors must be carefully considered to ensure that universities do not reduce the availability of flexible study modes and admission practices that make university accessible to more students at different points in their lives.

Overall student satisfaction:

- There is no direct link between satisfaction and learning outcomes, so this is too broad a measure. Choosing 'teaching quality' and 'overall experience' as the only broad measures ignores the other parts of experience measured in the SES.
- The voluntary and subjective nature of the Student Experience Surveys means that response rates vary too widely between institutions to be a truly reliable measure for funding considerations.

Student completion within 6 years:

- Placing a six-year timeframe on completion may reduce student choice, flexibility and the ability to accommodate study within their lives and is not always something that a university can control. Not all courses are three years: engineering and law are four years, and double degrees are longer, so a six-year limit will not work as well.
- Care should be taken with performance funding that is essentially linked to pass rates, given the risk that some universities might be incentivised to pass students who should potentially should be failed.

Graduate outcomes

- VU agrees with the statement in the discussion paper, regarding universities having no control of labour markets.

¹ Select Committee on the Future of Work and Workers, Commonwealth of Australia, September 2018, p111.

- Universities also have little control over response rates to the Graduate Outcomes Survey, which can be quite low. Similarly, the Employer Satisfaction Survey can also have very low response rates.
- The idea of 'full time' employment as a measure is likely to have less relevance over time in the changing world of work, with both personal preference and the structure of employment leading to more part time, casual or freelancing work.

Student equity

- VU supports the continuation of performance funding related to representation of students from various equity groups.
- As discussed above, any other proposed performance measure will need to be adjusted to account for equity.

HELP debts not expected to be repaid (DNER)

- VU agrees with the suggestion made in the discussion paper that level of debt repayment is unlikely to be linked closely enough to institutional performance to make this a fair measure.
- This measure favours institutions with large numbers of graduates in the highest-paid professions and with the highest levels of employment.
- This measure has a very long time lag. Recent institutional improvements would take a long time to become apparent in this measure.
- The causal relationship between institutional performance and debt repayment is also difficult to prove.

Other measures for consideration

Consideration could be given to performance funding linked to industry and community engagement, as evidenced possibly by Work Integrated Learning, internships or similar. This metric would need further examination for how it can be measured.

1. How should the PBF scheme be designed?

- The Commonwealth should adopt a position where a PBF scheme is designed to help each provider improve, and not be punitive. A university that has not met its target might need some extra investment in order to effectively compete. For example, if overall satisfaction were used as a performance criteria, and the main reason for low satisfaction was poor facilities, how will a university that misses out on revenue be able to invest in improvements to help them improve?
- There would be value in a review process where universities can explain reasons for not meeting benchmarks, and measures that will address the needs. The provider and the Department could assess the underlying causes about why a university has not met their target, and then the Commonwealth provides the performance-based funding specifically for the purpose of addressing the area of "under-performance".
- The PBF scheme design should explicitly include student numbers, age of institution, resourcing (staff, budgets) and other factors to control for differences in university capacity to make and sustain improvements.
- The idea of universities being able to select some measures has merit and would allow reflection of mission and cohorts. This would allow universities to identify areas of strength and aspirations.
- VU does not agree that a stretch target is ideal, as this would be paid for from the money not distributed to providers who have not been able to meet their targets. It would be preferable for it to be an extra payment, over and above the funding based on population growth.

2. How should performance measure benchmarks be set?

Each university should work with the Department to set agreed benchmarks. On page 10 the consultation paper notes that HESA objectives are to “support the distinctive purposes of Australian universities”. It is not possible to recognise distinctive purposes while at the same time setting up a performance-based funding approach where universities receive funding based on their relative performance to one another – e.g. top 50% get funding while the bottom 50% don't, as suggested on page 15.

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

The Commonwealth should determine measures with the shortest possible time lag. Two-year old data, for example, might not reflect current year results and would not take immediate account of initiatives that are having immediate positive impacts for students: at VU, for example, the introduction of Block Mode has resulted in very quick improvements in student retention, but VU would then not receive PBF for that success until possibly two years later. The Department could still access data that indicated something like first year attrition and overall retention by the end of the current year: e.g. by using a Q3 forecast – which all providers are more or less required to provide the Commonwealth in October in any case. It might not be perfect, but it would be more responsive.

4. How should the PBF scheme be regulated?

Whatever guidelines are adopted, there needs to be a review mechanism to evaluate Performance Based funding regimes over time.

CONCLUDING REMARKS

Victoria University thanks the Commonwealth Government for the opportunity to provide feedback and responses on the proposed Performance-Based Funding scheme and looks forward to receiving advice on the outcome of this consultation process.