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Department of Education and Training
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Discussion paper: Performance-based funding for the Commonwealth Grant Scheme

Thank you for the opportunity to provide comment on the rationale for and design of performance-based funding (PBF) for the university sector. While the University of South Australia (UniSA) accepts the notion of performance-based funding, UniSA does not accept the premise of a PBF where the funding is not accretive to an established and equitable basal funding level. That is, a PBF system that *augments* funding over existing levels would be acceptable to UniSA, but a PBF scheme that requires an institution that is already demonstrably well performing and performing above currently established norms in many measure, to further enhance its performance in order to sustain its current level of funding is not an equitable system. It does not recognise, nor reward established best practice or efficiency.

Similarly, we are concerned that the principles set in the Framework presented on page 10 of the Discussion paper, which are reasonable, have not been applied within the rationale and the proposed design and implementation of the scheme. For example, the notion of a geographically-based allocation scheme that has the very real possibility of further entrenching inequity in the system, fails any principle of fairness. Thus, in response to consideration 1, UniSA does not support the proposal that performance funding be aligned to state-based population growth. While the quantum of additional funding across the sector *might* be determined by population growth, under a PBF, its distribution should be one of performance. The two should not be conflated. Nor does such an approach align to the stated rationale for a PBF scheme intended to ensure quality and to incentivise performance. Performance and quality are not direct products of volume or geography.

On this matter UniSA would further argue that in introducing any PBF, we must first address the inequity introduced into the funding landscape through the freeze of the demand driven system wherein the sector-wide cap penalised institutions operating in states/regions where population participation rates in higher education are lower than the national average (or below the previously stated Bradley participation target). In South Australia, only 31% of 25-34-year olds have attained a bachelor-level qualification or higher (2016 Census) and while the proportion of South Australians (aged 15-64) in the labour force with non-school qualifications has grown from 51.1% in 2002 to 64.0% in 2017 it still lags the national level of 67% in 2017¹. Nor is access and participation and attainment evenly distributed, with regional and outer metropolitan South Australia

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¹ <http://saplan.org.au/targets/91-non-school-qualifications>

lagging behind inner metropolitan populations. Conflating growth and performance funding coming out of a capped system will have the impact of further entrenching the currently skewed patterns of economic and social capital development across Australia and is in conflict with other public policy measures for economic development and education participation in rural and regional areas.

Thus, we would further argue that the 2020 allocation of 1.2% to MBGA is inadequate to deal with the impact of funding capped at 2017 levels with no measures to deal with increases in the costs of operation. Thus in addition to dealing with the inequities already discussed above, implementation of the PBF must also address the lack of any funding indexation since 2017. UniSA therefore recommends that from 2020, the MBGA allocation be re-set and indexed annually at the CPI. A PBF scheme would then operate over and above a sustainable MBGA.

Regarding the question of the allocation methodology of a PBF beyond 2020, that is, to either continue to add it to the MBGA or to manage it separately, this will depend on the overall design of the scheme. Managed separately, with an annually compounding pool, where undistributed amounts are pooled for the next round of performance funding allocation, rather than redistributed within a performance round, would enable the scheme to grow over time and better support the overall objectives of establishing a PBF scheme. That said, in supporting a separate funding pool, it would need to be established in legislation to ensure that the funds are not re-purposed. Thus, we would recommend that the methodology to determine the quantum of funds for a PBF scheme and the basis for allocation should be included within the *Commonwealth Grant Scheme Guidelines* to ensure the funding remains within the sector and used to the purposes so defined. To ensure consistency and transparency, the allocation should then form part of each institutions' Funding Agreement.

In terms of the design of the scheme, UniSA notes the various suggestions made within the Discussion Paper and is concerned by the overhead and regulatory burden of establishing a complex scheme for 1.2% funding, particularly when on several key measures proposed in the Discussion Paper, there is little evidence that the sector is performing badly or that institutional differences in performance are statically significant (e.g. SAS, GOS full time study).

One of the noted lessons from a of previous performance based funding scheme, the LTPF, was that it initially looked at performance relative to others. However, as commented above, based on several key metrics, there are few outliers in the performance of Australian higher education. In recognition of this issue, performance funding in LTPF was revised in the final years of the scheme to consider both 'excellence' as well as 'improvement' with institutions being rewarded in the latter for improvements over time. Institutionally this helped to foster continuous improvement and investment in key strategies². Our view therefore is that any assessment of performance has to be on an institution by institution, case by case basis.

An approach based on individual institutional performance against set criteria, where the onus is on the institution to demonstrate the quality of its performance, avoids the need to set sector wide benchmarks and can better deal with the context in which a given institution operates. It also supports both performance and continuous improvement over time.

² See for example: <https://ministers.jobs.gov.au/gillard/changes-learning-and-teaching-performance-fund>

Regarding the measures, our preference is for measures that are timely, reliable and where the institution is in a position to effect change with sufficient time to demonstrate improvements in response to improvement strategies. UniSA views that the following measures may warrant further exploration:

Measure	Comments
Student Experience Survey	<p>Response rates to SES have improved and the survey is administered in a reasonable time span to provide for institutional response and action. A criticism of the SES is its length.</p> <p>Ideally the SES collection for PBF should be a much shorter instrument (or a subset of the SES) administered to all domestic CGS-funded students.</p>
Success	<p>Success data is usually available August for the previous calendar year.</p> <p>However, it should be noted that in the past the use of this indicator has come under some scrutiny in terms of unintended consequences such as concerns over 'soft marking'. However, regulatory oversight through TEQSA may resolve this issue.</p>
Equity student data	<p>Growth that has a favourable impact on access and participation of equity groups (e.g. low SES, disability, Aboriginal) and the success of those equity group students should an important consideration.</p>

Other measures suggested in the paper are not supported for a range of reasons:

- GOS employment:** Low survey response rates and the external impact of economic conditions that effect graduate employment, make this an inadequate measure of institutional performance. The Department's work to collect information via the ATO is likely to be a more efficient and reliable barometer of graduate outcomes in the future.

For similar reasons GOS Full time study, and GOS-L are also inadequate measures of performance, while the ESS is constrained by very small sample sizes, particularly if the cases are restricted to domestic, bachelor students.

The GOS is also affected by the discipline and mode of study mix of the institution, as well as the proportions of undergraduate versus postgraduate students.
- Attrition and Retention:** As highlighted in the Discussion Paper this has a 19-20 month lag that may lead to institutions being placed at a disadvantage, as any improvement strategy will not be evident until well into the future. Nor does the adjusted indicator provide for VET transfers, which in some cases may be the best outcome for the student. The indicator is a 'blunt instrument' at best.
- Completion rates:** As highlighted in the discussion paper, the 7-10 year lag on this data doesn't make it a reasonable indicator for PBF.
- Student repayment of DNER:** This measure is not supported as it does not align with one of the core principles for the scheme and has the potential to skew funding in ways that might be seen as discriminatory, such as away from institutions with high proportion of equity participation.

Should you require any further information please do not hesitate to contact the University through Adrienne Nieuwenhuis, Director, Office of the Vice Chancellor (adrienne.nieuwenhuis@unisa.edu.au).

Yours sincerely

A handwritten signature in blue ink, appearing to read 'DGL', is positioned above the typed name.

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