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14 February 2019

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Mr David Learmonth
Deputy Secretary, Higher Education, Research and International Branch
Department of Education and Training
GPO Box 9880
Canberra ACT 2601

Dear Mr Learmonth

Performance-based funding for the Commonwealth Grant Scheme

Murdoch University is grateful for the opportunity to contribute to the discourse on performance-based funding and its application to growth in Commonwealth Grant Scheme support. The University is a member of the Innovative Research Universities network (IRU) and is supportive of its submission in response to the Government's discussion paper released in December 2018.

The Department of Education's Discussion Paper released in December 2018 seeks to justify the need for a new performance based funding model, identifies ways in which such a scheme could be applied, and seeks to link future funding allocations to it.

While Murdoch University appreciates the need for public institutions, including universities, to be accountable for performance, we do not believe the proposals set out in the discussion paper offer the best approach, nor will it have the best chance to achieve the outcomes sought.

Murdoch University has a longstanding record of institutional engagement with teaching and learning that seeks to promote increased student participation, student satisfaction, progression, completion and employability.

One of the core goals of the University's Strategic Plan and Future Horizon 2017-2027 is to "provide every student with an outstanding education experience, leading our graduates to become innovators fully prepared for their future careers". Our five year strategic plan, which also includes a ten year horizon, is guiding the future direction of the University and how we deliver on our mission.

The success of the University's strategy can be seen in enrolment growth, an increasing share of school leaver markets, and rising median ATAR of school leaver applicants.

It is difficult to object to the statement contained in the discussion paper that "Australians expect their taxpayer-funded public universities to deliver quality higher education." As individual universities we already hold ourselves to such high standards. While we have no objection to being held to account in an open and transparent way, we believe there are already sufficient mechanisms in place to do so.

We are of the view that the discussion paper does not make a compelling case that there is a need to apply further pressure on the sector to drive performance improvements. The paper provides no evidence to demonstrate that student outcomes are not being met. Instead, we draw your attention

to existing data that shows university graduates continue to earn more than non-graduates, that student satisfaction and performance are high, and that university graduates are highly employable.

We are of the view that sufficient internal and external performance drivers currently exist for institutions to seek to continually improve their academic programs.

For example, students use a wide range of information when choosing an institution for study, including:

- Quality Indicators for Learning and Teaching (QILT), which includes many of the indicators proposed for performance measurement;
- National and international rankings, which incorporate teaching and research measures; and
- School, parental and peer recommendations.

Furthermore, TEQSA assesses universities against the Higher Education Standards Framework (HESF) which includes institutional quality assurance (Domain 5). In assessing against this Domain, TEQSA expects that academic programs are reviewed regularly and that the findings of the reviews are evidently used to generate improvements.

The combination of institutional commitment to excellence, the demands of the student market, and demonstrating to TEQSA an environment of continual improvement provide sufficient drivers for universities to continue to improve the quality and effectiveness of their offerings.

As a result, Murdoch University does not support the establishment of performance based funding for the Commonwealth Grant Scheme.

However, if a performance based funding mechanism was to be adopted, Murdoch University believes it should be designed using the following key principles:

- simple, imposing the least regulatory and administrative burden on institutions and the Commonwealth;
- transparent, with open and accessible data and algorithms;
- linked to the term of a Funding Agreement (three years) to provide institutions with clear budget parameters to enable medium term planning;
- able to take into account local and regional variances, both trends and projections;
- sufficiently flexible to allow performance measures and associated funding to adjust to changes as needed, particularly to account for external factors such as a downturn in a regional economy; and
- driven by agreed expectations of proposed outcomes and projected improvements.

The discussion paper also explores ways in which a performance based funding scheme would operate, which Murdoch would like to comment on several specifically.

- Murdoch believes that linking the maximum amount an institution receives in funding based on population growth of 18 – 64 year olds is not an appropriate mechanism to determine future funding allocations. One reason for this is that the population growth of among the 17–18 year olds is projected to be higher in the coming years than the broader population. Therefore, the suggested approach would not meet the education needs of a growing demographic of 17-18 year olds, and would not take into account the increasing need to enhance the skills of the existing workforce.
- A performance based funding mechanism could also give rise to unintended consequences and perverse outcomes. Currently universities undertake activities across many wide and varied areas, such as community engagement, education and research. Examples of the activities universities deliver for their communities include arts programs, community lectures, concerts, school engagement and events. However, the introduction of a narrowly defined set of performance measures may result in the broad remit of initiatives undertaken by universities changing in order to meet the future funding requirements.

Murdoch University is of the view that a 'one-size-fits-all' approach for universities across the country cannot, and should not, be used meet the requirements established above. In the case of Western Australia, with its unique population variances, geographic uniqueness, and economic factors, it would be problematic to link the funding of local higher education institutions to national trends. Doing so would fail to take into account the many and varied unique local traits of each organisation such as community need, the role and purpose of each university in their community, employment opportunities for graduates, and socio-economic and cultural differences.

To that end, Murdoch would encourage establishing 'individual agreements' between the Department and institutions, linked to institutional Funding Agreements, based on individually negotiated performance measures and targets, following agreed principles and parameters.

Please do not hesitate to contact me if any further information or clarification on our submission is required.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'Eeva Leinonen', with a long horizontal flourish extending to the right.

Professor Eeva Leinonen
VICE CHANCELLOR