

# The University of Newcastle

## Response to the Discussion Paper Performance-Based Funding for the Commonwealth Grant Scheme

Via email: [HEReform@education.edu.au](mailto:HEReform@education.edu.au)

The University of Newcastle welcomes the opportunity to comment on discussion paper, Performance-based Funding (PBF) for the Commonwealth Grant Scheme. Overall we are supportive of the proposed approach. As an institution located in a regional area where widening access to education plays a critical role in continued social and economic revitalisation, the opportunity to increase student numbers and improve the student experience is important.

### 1. Implementation

An implementation approach that is based on state population increases may support a closer match between targeted funding and demand, however it is possible that it could have a negative impact on student mobility across state boundaries. A simpler approach could be to reallocate places away from institutions that either do not wish to increase their student load, or did not meet agreed performance criteria.

The allocation model should provide stability for universities so that student numbers can be managed appropriately year to year. An overly responsive allocation process may undermine stability of the system. For example, annual re-allocation of total funds could lead to annual variations in funding and downstream planning issues. Students entering one year due to an increase in Commonwealth Supported Places would typically be in the university system for three or more years. Significant reallocations of funding each year may lead to institutions needing to “correct” load levels through readjustments in future admission cycles, which could cause significant fluctuations in load and funding levels on a yearly basis.

### 2. Performance measures

The discussion paper provides a good overview of the complexity of data sets related to performance and an opportunity for institutions to consider the performance measures that best suit their institutional objectives.

It is important to recognise that a range of factors impact institutional performance measures are, including strategy and characteristics of different student cohorts. For example, universities with a strong equity agenda typically have a **large** proportion of part-time students, which leads to extended completion times. Cohort analysis indicates that completion times for many equity groups improve over longer timeframes.

In terms of individual measures, we would not support the use of institutional ‘Debt Not Expected to be Repaid’ rates in PBF, given this may drive behaviour across the sector to discourage some students – deemed high risk with respect to this measure – from enrolling. This could have a negative impact on equity outcomes across the sector. It is also important to note there are limits to an institution’s ability to influence student behaviour when they are enrolled and this reduces significantly post-graduation.

### 3. How should the PBF scheme be designed?

A requirement to meet one or more, but not all, of the agreed benchmarks would help recognise differences in institutional strategy without penalising individual institutions. We recognise some benchmarks are considered in the ‘public interest’ and thus should be required to be met (e.g. student satisfaction). However, as noted above, others may inadvertently impact equity outcomes, and these should be avoided.

Overall, our preference is that benchmarks be fixed at an agreed standard, rather than based on a ranking system, as this will help institutions provide clear expectations to educators and support teams.

### 4. Performance benchmarks

We are keen to ensure any performance framework takes account of the fact that small differences in outcome may not reflect differences in institutions’ performance but rather differences in their student cohorts (e.g. proportion of an ‘at-risk’ population), institutional objectives (e.g. discipline mix) or an institution’s location (e.g. employability). For this reason, we recommend the use of minimum benchmarks for performance that would allow an institution access to the additional places, providing they are above the benchmark.

### 5. Redistribution of PBF funding

The University of Newcastle is supportive of unallocated funding being redistributed to specific designated places (specifically sub-bachelor and enabling). The Department would need to notify institutions of the availability of places with enough lead time to ensure they can modify their admission strategy and ensure appropriate communications are in place where necessary.

### 6. Level of acceptable “lag” between the PBF data and the funding year?

The measures under discussion are predominantly lag indicators, some of which take almost a decade to influence. An example of an indicator with a significant lag time is completion rates. We recommend caution using such lag indicators, and propose instead that metrics be chosen that enable universities to be responsive as this is more likely to drive sector improvements.

The University of Newcastle would be interested in being involved in discussions on developing new and appropriate lead-indicators.

## 7. Regulation

We recommend that performance requirements be set in funding agreements as this would provide clarity, yet allow flexibility for modification to be made to benchmark standards.

We would be happy to provide further detail on any of the issues above and look forward to the Department's consideration of our response to this important issue.

**Friday 15 February 2019**