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Discussion Paper on Performance-based funding for the Commonwealth Grant Scheme

Thank you for the opportunity to respond to the discussion paper on performance-based funding for the Commonwealth Grant Scheme.

UTS supports the principle of performance aligned funding mechanisms and the Government's desire to develop a sensible approach. UTS also strongly supports the Government's stated policy approach of university autonomy and differentiated missions.

However, UTS strongly disagrees with the current proposal to replace cost-based indexation with performance funding. Indexation based on population growth is highly likely to be significantly lower than the growth in the cost of delivery resulting in ongoing real funding reductions. A reduced funding pool, made available on an at-risk basis, and with an extremely short (probably annual) funding window, will make university operations unsustainable in the medium to long term, particularly for those universities that rely predominantly on Commonwealth funding. The proposed objective of improving quality will not be delivered under the proposed model – the opposite is likely to be true.

UTS is not opposed to a performance funding scheme that complements cost-indexed operational funding for teaching and learning. We agree that any performance funding scheme should be underpinned by a set of principles to guide its objectives and that fundamental to those would be to support and reward the achievement of quality student outcomes. However, if the primary objective is to improve quality, the proposed principles do not address how funds might be directed to specific improvement activities where they are clearly required. The objective of raising the quality of student outcomes requires funding to be applied to both quality achievement and improvement. Targeted funding to address areas of underperformance can break the cycle in some areas of underperformance and targeted support to change outcomes benefits the sector as a whole. Without such an improvement scheme, there is a risk that those most in need will receive the least funding.

Allocation Model

The allocation model proposals in the discussion paper are generally focused on comparative performance models, whether that be performance compared to a sector rank, sector average, or individual historical performance. This approach is inconsistent with the

proposed principles which would suggest quality outcomes should be rewarded in their own right rather than comparatively. A comparative performance model will inevitably result in rankings that will make it appear that a proportion of the sector is underperforming when this may not be the case. This has significant implications for the sector's reputation as a whole as well as individual provider reputations. Broad comparative measures do not lend themselves to nuances of university mission or student cohort profiles.

The proposed bifurcated allocation model (figure 3) which would see the top 50% of performers rewarded, apparently takes no account of the scheme principles espoused earlier in the discussion paper, particularly fairness. It would not take account of individual provider and student characteristics and does not reward quality outcomes, only relatively higher outcomes that may be explained by a range of internal and external drivers. Such models do not indicate whether quality outcomes have been achieved – all outcomes could be bad or all could be good, it is the relative performance only that is rewarded.

The discussion that precedes figure 3 clearly articulates the difficulty of comparative performance assessment and highlights the necessity of individual consideration of both targets and performance. The subsequent proposal of a highly simplistic ranked model of allocation is completely inconsistent with that acknowledgement of the complexity of the task.

If sector quality is a core objective of the scheme, it is almost impossible to see how those ranked lowest could ever change their position, given that their funding would be reduced significantly in real terms over time. Such providers would be hard pressed to even maintain their performance, even though low-ranked, with shrinking resources to address their relative position. The proposal to doubly-reward higher-ranked performers by redistributing unsuccessful universities' funding to them could only compound any perceived performance differentials.

The alternative proposal to divert unallocated performance funding to designated Commonwealth supported student places would simply create more underfunded places in a system with shrinking funding in real terms. It would not contribute to improvement in sector quality.

Any performance allocation model must be based on individual providers' characteristics with thoughtfully developed measures and targets. Appropriate reference to peer provider benchmarks would be appropriate in the development of targets but ranked comparison is not workable.

Performance Measures

If performance funding was sincerely used to drive student outcomes then participation, attrition / retention, student satisfaction, and medium-term employment outcomes are reasonable measures to consider. However, significant additional work would need to be undertaken to contextualise outcomes to individual university characteristics and the environments they operate in. For example, employment outcomes may need to be contextualised to local employment market conditions, attrition/retention to student cohort characteristics, and broadly the missions of individual providers should be taken into account in setting measures as well as judging performance. Many of these complexities are acknowledged in discussion in the paper but are not reflected in the proposed models.

The interaction of outcomes must be considered. The drive for increased representation of equity groups is likely to conflict with outcomes for attrition, retention, success and completion, with low SES and Indigenous cohorts often having lower outcomes than the general student population. To withhold funding from universities that are supporting these

students through higher education is more likely to drive restriction of intakes rather than drive significant short-term changes in student performance.

Inevitably, performance measures use lagged results. Achieving changes in outcomes in many areas is often complex and achieved over long periods of consistent commitment. Accordingly, a balance of short and longer term assessment of outcomes is required. If significant remediation is required performance funding is not an appropriate vehicle to achieve change – targeted improvement funding is the only effective option.

The discussion paper raises the possibility of using doubtful student debt as a performance indicator. This appears to be a highly unreliable indicator of university performance and at odds with the principle that measures “be within the control of the university”. It is wholly against all universities’ missions to reject students on the basis of an unidentifiable potential inability to pay future debt. It would appear that any attempt to identify such students and refuse admission to university would be highly discriminatory. The effect of external factors on graduate behaviour and the potential decades-long lag between study and debt repayment make such an indicator unusable and the provider behaviour that it would appear to promote may well be unlawful.

A handwritten signature in black ink, appearing to read 'Brungs', with a stylized, cursive script.

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