

Professor Paul Wellings
Chair, expert advisory group
Higher Education Reform
Department of Education and Training

via: HEReform@education.gov.au

22 February 2019

Dear Professor Wellings,

Re: Performance-based funding for the Commonwealth Grant Scheme (CGS)

The University of Canberra refers to the consultation paper on *Performance-based funding for the Commonwealth Grant Scheme (CGS)* and welcomes the opportunity to provide feedback on this policy.

The University of Canberra acknowledges the significant public investment in universities through the Commonwealth Grant Scheme and the requirement for accountability and performance reporting.

The University of Canberra does not, however, agree that performance measures should be used as the basis for allocating a limited number of additional Commonwealth supported places.

The University of Canberra strongly holds the position that the demand driven system, in conjunction with performance reporting and recent improvements in admissions transparency, provides the best model for the allocation of Commonwealth supported places.

Proposed increases in Commonwealth Grant Scheme funding from 2020 are not enough to reverse the effective cuts delivered in the Mid-Year Economic and Fiscal Outlook 2017-18.

Attached is our submission, outlining some of the concerns that the University would like to raise regarding this matter.

Please do not hesitate to contact me should the advisory group wish to discuss further the details in this submission.

Kind regards



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Performance-based funding for the Commonwealth Grant Scheme (CGS) Submission by University of Canberra

February 2019

The University of Canberra refers to the consultation paper on *Performance-based funding for the Commonwealth Grant Scheme (CGS)* and welcomes the opportunity to provide feedback on this policy.

The University of Canberra acknowledges the significant public investment in universities through the Commonwealth Grant Scheme and the requirement for accountability.

The University understands the need to publicly report on performance measures such as Quality Indicators of Learning and Teaching (QILT) and appreciates the information that is now available to prospective students and their families.

The University of Canberra does not, however, agree that performance measures should be used as the basis for allocating a limited number of additional Commonwealth supported places.

The University of Canberra strongly holds the position that the demand driven system provides the best model for the allocation of Commonwealth supported places. In conjunction with accountability and transparency measures already in place, such as QILT and Admissions Transparency, the demand driven system provides rewards for high standards and consequences for low ones, driving universities to improve teaching and the student experience.

Proposed increases in Commonwealth Grant Scheme funding from 2020 are not enough to reverse the effective cuts delivered in the Mid-Year Economic and Fiscal Outlook 2017-18.

First and foremost, the University of Canberra calls on the Government to restore the demand driven system and university funding.

This submission considers the consultation paper and addresses some of the issues discussed.

The University of Canberra

The University is incorporated under the University of Canberra Act 1989 of the Australian Capital Territory.

It is committed to serving the people of Canberra and the region through professional education and applied research.

The University of Canberra is ranked among top universities globally by both Times Higher Education (THE) and QS World University Rankings and appears in the 2018 THE rankings as one of the top 100 universities under the age of 50 years and one of the top 100 universities in the Asia-Pacific.

The University of Canberra's Strategic Plan 2018-2022, *Distinctive by Design*, provides an ambitious blueprint to position the organisation as a sector-leading university for the professions, guided by the principles of entrepreneurship, innovation, equity and diversity.

Feedback on the consultation paper

The University of Canberra would like to provide the following comments regarding the proposed reform.

1. Clarity around policy objectives - specifically, in linking limited growth in Commonwealth supported places to performance expectations

Any performance-based funding system should begin with, and be defined by, a vision for higher education in Australia. Without such a vision, the proposed system risks driving university performance in un-productive directions. The University of Canberra calls on the government to work with the sector to develop such a vision prior to the development of measures to be used to for the allocation of additional CSP funding.

The policy intent is not clear. The consultation paper suggests this reform is about improving university performance across the sector using the Commonwealth Grant Scheme (CGS) as an incentive. In practice, this may be reduced to a mechanism for allocating a relatively small number of Commonwealth Grant Scheme places using performance as a basis.

The University of Canberra understands the need to publicly report on performance measures such as Quality Indicators of Learning and Teaching (QILT). It does not, however, agree that these measures should be linked to growth in Commonwealth supported places. Through use of the QILT website and other information sources, students already choose between institutions and thus reward them for performance in measures important to students.

Demand and need for additional Commonwealth supported places are not uniform across the sector. It makes no sense then for the Government to allocate places according to performance.

The alternative to Government determination is informed student choice.

The University of Canberra strongly holds the position that the demand driven system, in conjunction with performance reporting and recent improvements in admissions transparency, provides the best model for the allocation of Commonwealth supported places.

It is not clear how this policy will incentivise institutions to improve performance.

Proposed increases in Commonwealth Grant Scheme funding from 2020 are not enough to reverse the effective cuts delivered in the Mid-Year Economic and Fiscal Outlook 2017-18.

Defining success for universities can be complex and problematic. The consultation paper has presented a number of performance measures that may only be arguably proxies of success.

If the Government is to pursue the implementation of performance-based funding linked to the Commonwealth Grant Scheme then the University of Canberra would strongly advocate for a university-specific approach to target setting that considers carefully each institution's distinctive mission and student cohorts.

Finally, in considering this policy, the University of Canberra again raises the issue of the need for long-term funding security to allow education providers to plan responsibly into the future.

Limited additional funding for Commonwealth supported places

The consultation paper suggests that the increase in funding for places in 2020 will be around 1.2%, in line with national population growth in the 18-64 year-old age bracket.

Commonwealth contribution amounts per equivalent full-time student load (EFTSL) in 2019 have increased in line with the Consumer Price Index at 1.9%.

While the funding per EFTSL has increased, the total maximum basic grant has not and is now capped, effectively resulting in a decrease in funded Commonwealth Grant Scheme EFTSL for universities.

That is, proposed increases in Commonwealth Grant Scheme funding from 2020 are not enough to reverse the effective cuts delivered in the Mid-Year Economic and Fiscal Outlook 2017-18.

The University of Canberra questions whether the proposed increase will be significant enough to operate as an incentive to improve performance. There is the potential for performance-based funding to be needlessly complicated with little discernible benefits. The university calls on the government to revisit the quantum of funding available for this scheme if it wishes to incentivise university behaviour and performance, without reducing the current capped funding amounts.

Growth in places

It is broadly understood that total enrolment numbers under the demand driven system have largely stabilised. Further movement within the sector would be as a result of university offerings and informed student choice considering such factors as location, institution, course, student support, graduate outcomes, accommodation, cost of living, family and lifestyle.

Not all universities may be looking to increase places. It is not clear how this policy will incentivise such institutions to improve performance. The policy is to distribute all funds across the sector. Funds attached to unfilled places would need to be reallocated.

The University of Canberra recognises the strong need to provide opportunities and boost participation and attainment among under-represented groups. Under the demand driven system opportunities among these cohorts increased across the sector. There are concerns that limited performance-based growth in places will not further such opportunities.

It is not clear whether this policy intent is to distribute additional Commonwealth supported places uniformly (subject to performance), or competitively. These are very different concepts. Given these options, the University of Canberra would advocate for the first.

National and local university profiles

The consultation paper raises the issue of allocating places based on population growth. This is a narrow concept that does not account for university missions and contexts.

Local population growth rates do not necessarily reflect a university's desire or capacity to grow. Some universities have a national profile rather than a local profile. All Australian universities enrol interstate domestic students.

Many choose to move to attend university and vibrant on-campus living is important to students, universities, local communities and economies. The student experience is further enriched by domestic students living, studying and working alongside international students.

The University of Canberra notes that the population of the Australian Capital Territory is increasing at a greater rate than the national population.

Defining success

Defining success for universities can be problematic and multifaceted. A simple set of performance metrics could not possibly evaluate a university's success.

There are many reasons a student may choose to enrol in university. A worldwide survey commissioned by Times Higher Education identified the *most important reasons why students want to go to university*¹, the top five being:

“Because I am passionate about the subject I study”

“To continue my learning and development”

“Because I want to pursue a particular career”

“To be intellectually challenged and stimulated”

“To learn essential life skills”

Student success is so much more than graduating and getting a job. The University of Canberra recognises this through its unique mission and strategic plan, *Distinctive by Design*.

Student entrepreneurship is an example of how the University of Canberra seeks to change the narrative of success. The University of Canberra's curriculum is structured to offer entrepreneurship opportunities

¹ (Bhardwa, Seeta) *Why do students go to university and how do they choose which one?*
<https://www.timeshighereducation.com/student/news/why-do-students-go-university-and-how-do-they-choose-which-one> Times Higher Education, 2017

alongside work-integrated learning. From their first semester, students commence placements with local entrepreneurs or even begin creating businesses of their own. Students are supported by the University to create innovative products and services and develop start-ups and businesses. Success for these students includes leadership, creativity and innovation.

There are many reasons a student may choose to pause their studies or withdraw from university. The University of Canberra recognises that attrition does not always equate with lack of success. A recent report by the Grattan Institute² argues that dropping out of university is not always a bad outcome. Many school-leavers are uncertain about their future and gain clarity after trying university. Universities have a responsibility to exit students who find that university is not the right place or time for them. The report outlines some benefits for those who have attempted university yet not completed. “Many people who did not finish their course found it interesting, learned useful skills, and made lasting friendships and connections.”²

Performance accountability and student choice

The University of Canberra acknowledges the significant public investment in universities and the need for accountability.

Universities already provide extensive accountability on teaching and support through a range of reporting, including:

- Annual reports and financial statements
- Department of Education and Training student data collection
- Quality Indicators of Learning and Teaching (student satisfaction and graduate outcomes)
- Admissions transparency
- Threshold standards under TEQSA
- Higher Education Participation and Partnership Program
- Indigenous Student Success Program
- Reporting to accrediting bodies such as AITSL

The University of Canberra recognises the need for prospective students and their families to make informed choices about enrolling in university. It is our observation that students are in fact well-informed and make use of the wealth of performance reporting and information currently available.

Student choice must be considered when discussing this reform and the University of Canberra encourages the panel to consult student groups on this policy.

² (Norton, A &, Cherastidham, I) **Dropping out: the benefits and costs of trying university**
<https://grattan.edu.au/report/dropping-out/> Grattan Institute, 2018

2. A university-specific approach to performance target setting

If the Government is to pursue the implementation of performance-based funding linked to the Commonwealth Grant Scheme then the University of Canberra would strongly advocate for a university-specific approach to target setting.

The University of Canberra suggests that a “one-size fits all” approach to performance target setting would not adequately measure university success.

A university-specific approach would recognise the diversity of Australian universities, their place within regions and their students and consider target markets and unique circumstances.

Student cohorts are diverse and attaining all the dimensions of success requires resources and support.

Failure to consider the diversity of the sector may also lead to perverse outcomes. For example, some universities may be disincentivised to increase numbers of under-represented and disadvantaged group in order to increase retention and completion rates.

Ranking

The University of Canberra strongly disagrees with the suggestion of ranking universities against each performance measure. Such an approach may discourage low performing institutions from improving. A ranking based approach would not recognise the diversity of the sector.

A rank is a crude measurement tool that does not take into account closely ‘clumped’ data. That is, one university’s performance may be ranked higher than another with very little real difference between.

3. The need for universities to have funding certainty

Given the options presented in the paper, the University of Canberra suggests that performance-based funding be locked in each year, raising the maximum basic grant base for the following year.

The University would like to raise, however, the issue of long-term funding security to allow education providers to plan responsibly into the future.

Universities invest resources in planning and forecasting student load. A student enrolling in a bachelor’s degree is likely to consume three EFTSL over a number of years. Funding for this load needs to be pipelined across multiple years. Funding places year on year will create a great deal of uncertainty.

University planning also includes activities around student recruitment, staffing, timetabling and room allocation. These activities require an accurate estimate of funded places well in advance of the start of the year. Allocation of places under performance-based funding would need to be timely.

4. Issues to consider in establishing performance metrics.

The consultation paper has presented a number of performance measures that may only be arguably proxies of success.

The University of Canberra acknowledges and largely agrees with the principles for performance measures and principles for benchmarks and target setting as raised in the consultation paper.

Performance measures must be:

- Relevant to intended outcomes;
- Within a university's control;
- Measured on relevant and reliable data;
- Applicable to all universities;
- Cost-effective and not burdensome on providers and government; and
- Appropriately accurate and expeditious.

Performance targets must be:

- Achievable yet aspirational;
- Based on sound reproducible methodology;
- Responsive to institutional change; and
- Institution context specific.

While these principles are sound, the University of Canberra would assert that all performance measures discussed in the consultation paper have issue in adhering to them. To this effect, the consultation paper raises problems but not adequate solutions.

The University outlined many of these issues in its response to the Higher Education Standard Panel's discussion paper *Improving Retention, Completion and Success in Higher Education*.

The consultation paper has raised the issue of lagged data across all measures. The University of Canberra is also concerned by this. Universities across Australia are keen to improve graduate outcomes and the student experience. All would be implementing initiatives to achieve this. It can, however, take years for the impact of change to be apparent. Lagged data compounds this further.

The University of Canberra also raises the following regarding specific performance measures discussed in the consultation paper.

Debt not expected to be repaid (DNER)

The consultation paper has raised the issue of student debts and the proportion of those not expected to be repaid.

Under the Higher Education Loan Program (HELP) eligible domestic students may defer all or part of their student contribution fees by borrowing from the Commonwealth. Students who choose to do so have their student contribution fees paid to the university by the Commonwealth and a HELP debt raised with the Australian Taxation Office (ATO). Loans under HELP are a transaction between the student and the Commonwealth with payments recovered through the Australian tax system.

Unpaid HELP debt is an inherent part of the income contingent loan scheme and an indication of equity and opportunity in Australian higher education.

In no way do unpaid HELP debts reflect university performance or success.

The University of Canberra strongly opposes the use of this measure in performance-based funding.

5. Other means of improving university performance

Reducing non-genuine domestic students

This issue of non-genuine international students has been well addressed by the government and the sector. There remains the possibility that domestic students may be enrolling without intention to study, but may do so to claim income support benefits. Whilst university progression checks and other measures may identify such students, these may come after some time has passed, incurring cost to the government. Like all systems, these measures can be subject to manipulation to avoid detection.

To overcome this, closer monitoring than already occurs and closer liaison with government departments is required. Universities could be incentivised through performance funding to undertake such tasks.

Student success through closer links to technical and further education, and through sub-bachelor degrees

There are many pathways to student success, and for a number of students, study at sub-bachelor level at a TAFE or a university can lead to stronger outcomes at bachelor level. Under the demand-driven system and the current funding caps, along with the funding treatment of TAFE and sub-bachelor degrees, students are incentivised away from such paths.

Under current arrangements, there is a cost to universities for students who complete TAFE and enter university with credit (through reduced EFTSL) and for students who undertake sub-degrees (whose places are designated). Incentivising universities to take more TAFE graduates and/or to offer sub-bachelor degrees with greater support would enable improvements in the performance measures outlined in the paper.

The University of Canberra refers to the recent discussion paper on the *Reallocation of enabling, sub-bachelor and postgraduate Commonwealth support places* and our response for further information.

The University of Canberra recognises that increasing pathway opportunities in enabling and sub-bachelor places may lead to overall sector improvements in performance. The University of Canberra encourages the panel to consider designated places along with bachelor places in regard to this policy.