



## Regional Universities Network (RUN)

### Submission to Performance-based Funding for the Commonwealth Grant Scheme

#### Summary

- The outcomes of any performance-based funding (PBF) scheme should align with broader policy objectives for the regions and advancing educational outcomes for regional students e.g. recommendations that the expert advisory group on a National Regional, Rural and Remote Educational Strategy may make. It is critical for the national good that recommendations and policy implemented from various reviews and processes work in a joined-up manner to boost higher education participation and attainment for regional, rural and remote students. If a Regional, Rural and Remote Education Commissioner was appointed, that person could provide advice to ministers on the impact of PBF on regional universities.
- RUN's preferred model for PBF for the Commonwealth Grant Scheme remains the model developed by the network in collaboration with Nous Pty Ltd, *A performance framework for Regional Universities*<sup>1</sup>. A PBF scheme should capture the full range of expectations that government and community have of higher education. These expectations include equity of access to participation, the skills and services universities deliver to students, and the contributions universities make to their communities and economies.
- Performance must be carefully defined, so that behaviours which foster innovation and opportunity for those students most in need of higher education are rewarded.
- We are concerned about the robustness and appropriateness of many of the potential performance measures proposed in the discussion paper. In particular, the statement that "attrition relates more to which university a student goes to rather than the students characteristics" is not supported by current research.
- The way attrition is defined needs to be examined. Completions are much more important than attrition.

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<sup>1</sup> Nous Pty Lt (2018). A performance framework for Regional Universities, published at <http://www.run.edu.au/resources/RUN%20Performance%20framework%20final%20report%2012%20June.pdf>

- RUN supports the use of regional population data (at Statistical Areas Level 3) to calculate each university's share of the PBF amount, coupled with consideration of higher education participation and attainment in a region, and regional skills needs.
- RUN supports adding the PBF to the Maximum Base Grant Amount (MBGA) after 2021, and does not support keeping the PBF separate, such that the amount of funding at risk would grow each year. Increasing the amount of funding at risk each year will just add to the uncertainty that universities face in terms of future funding, and will reinforce the difficulties regional universities have in supporting a student cohort which is largely mature age, first in family, low SES, and regional, rural and remote.
- As outlined in the Nous paper *A performance framework for Regional Universities*, RUN supports the use of a combination of core, optional and institution-specific measures to determine performance. Core measures are: completion (weighted); attrition (weighted); student satisfaction; participation rates for equity groups (low SES, Indigenous, regional and remote, disability); employer satisfaction; employer outcomes.
- In general, we support a PBF scheme which would require universities to demonstrate a minimum acceptable level of performance every year across the selected measures in order to grow their CGS funding, rather than a more complex system. Weighting is preferable to benchmarking against past performance. We do not support stretch targets.
- The PBF amounts of unsuccessful universities should be redistributed, either to fund more enabling and sub-bachelor places at institutions in need of more pathway places, or to support students from disadvantaged backgrounds e.g. scholarships.
- Lag should be minimised between PBF data and the funding years.
- Amending the Commonwealth Grant Scheme Guidelines to include the PBF requirements would appear to be the most straight forward way to regulate the PBF.

## Introductory Comments

A general consideration which should be taken into account in the design and outcomes of the performance-measurement funding (PBF) is that it should align with the broader policy objectives for the regions and advancing educational outcomes for regional students e.g. recommendations that the expert advisory group on a National Regional, Rural and Remote Educational Strategy may make. It is critical for the national good that recommendations and policy implemented from various reviews and processes work in a consistent manner to boost higher education participation and attainment for regional, rural and remote students.

If a Regional, Rural and Remote Education Commissioner was appointed, that person could provide advice to ministers on the impact of PBF on regional universities.

In 2018, the Regional Universities Network (RUN) commissioned Nous Pty Ltd to work in collaboration with the network to develop a performance framework. The report, *A performance framework for Regional Universities*<sup>2</sup> (Nous Pty Ltd, 2018), is available on the RUN website, and was provided to the former Minister for Education and Training, Senator the Hon Simon Birmingham.

The performance framework outlined in the Nous paper remains RUN's preferred PBF mechanism. We encourage the Government to adopt a PBF system based on this model, and will draw on this, as

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<sup>2</sup> Nous Pty Ltd (2018). *A performance framework for Regional Universities*, published at <http://www.run.edu.au/resources/RUN%20Performance%20framework%20final%20report%2012%20June.pdf>

well as providing comments on the ideas presented in the *Performance-based funding for the Commonwealth Grant Scheme discussion paper*, in our response.

The Nous paper outlines a performance-based funding scheme which:

- frames performance against HESA objectives, which best articulates the full range of activities universities are required to deliver (teaching quality, equity, and contribution to social, cultural and economic needs), and uses a comprehensive assessment of inputs, outputs, outcomes and broader community impact to measure success;
- applies appropriate context to retention measures and provides a level playing field by weighting according to student profile and supplementing the measures with other metrics;
- evaluates performance through a submission process to government in which universities have the opportunity to articulate the strategic context and narrative behind relevant performance measures and explain institutional difference.

A PBF scheme should capture the full range of expectations that government and community have of higher education. These expectations include equity of access to participation, the skills and services universities deliver to students, and the contributions universities make to their communities and economies.

We note that, in the discussion paper, it is proposed that a PBF system should support the objects of the HESA Act as they pertain to the Commonwealth Grant Scheme (CGS): to support the higher education system; to support the distinctive purposes of universities; to strengthen Australia's knowledge base; and to support students undertaking higher education. Some of the broader role of universities contributing to social, cultural and economic needs are potentially relevant to "supporting the distinctive purposes of universities".

Performance must be carefully defined, so that behaviours which foster innovation and opportunity for those students most in need of higher education are rewarded. RUN universities significantly exceed the national average for part-time, off-campus, mature-age, Indigenous, low SES, regional and remote students and students with disabilities. This is a positive and should be viewed as such, rather than a situation with the potential to compromise receipts of performance-based funding.

We are concerned about the robustness and appropriateness of many of the potential performance measures proposed in the discussion paper. A range of potential measures and datasets are noted, however little attempt is made to clearly identify the department's performance expectations of institutions, link potential performance measures to those expectations, or to assess the robustness or appropriateness of different potential measures. For example, the Discussion Paper discusses in some depth the Higher Education Standards Panel report on *Improving retention, completion and success in higher education* (2017) and its use of attrition as a means of identifying poorer performing universities. The HESP report also includes a number of recommendations regarding the modelling of attrition rates, including that the department:

- *"further develop and publish the calculation of attrition rates that take into account key student characteristics so as to better reflect institutional differences."*

The HESP Report clearly identifies a range of reasons beyond institutional quality as contributing to institutional attrition rates, and considers that such factors should be taken into account in the calculation of attrition rates. A number of potential methodologies are discussed or suggested in the HESP Report.

Further, we question the statement on p. 14 of the discussion paper that “...attrition relates more to which university a student goes to rather than the students characteristics and, by extension, indicates that universities should have significant control over their student attrition rates”. Most studies have found that factors, including some institutional characteristics, impact on attrition. However, the statement that attrition is related to which university a student attends is not supported by current research. A recent study that explored the completion rates of equity students at RUN universities<sup>3</sup> found that the differences between metropolitan and regional universities are attributable to structural, financial, geographical (e.g. time and cost of distance travel, reliability and cost of access to IT) and employment-related factors that inhibit participation by regional students and which contribute to attrition and delays in apparent completion rates. Higher rates of participation by mature-aged students mean that family and work commitments may play a large role in an individual’s capacity to complete. The 2017 Universities Australia<sup>4</sup> Student Finances Survey found that students from disadvantaged and under-represented groups (which are the key cohorts at RUN universities) are more likely to suffer financial stress and hardship, key factors contributing to attrition.

Many people in the regions do not know many university graduates, or do not come from backgrounds where going to university was a viable, encouraged or supported choice. Many more may not have exposure to a wide range of professional careers. Raising awareness and aspiration to study at university - and giving confidence to prospective students and their key influences, their families, that these aspirations can actually be realised - is key.

Rather than reducing funding to achieve better student outcomes, more support is required for universities to boost student success.

Recent research<sup>5</sup> has shown that regional, equity and non-traditional students require and want high levels of face-to-face teaching which will help overcome barriers. This implies higher contact levels (and possibly smaller classes) and therefore different funding models for these cohorts and/or their institutions are required to reduce inequalities more quickly. At a number of UK universities with a high proportion of first-in-family students, and those from non-traditional backgrounds (e.g. University of the West of Scotland, University of Bolton), there is a new wave of data-driven, student support activities, which have, and are having, a major impact on reducing attrition. These include: personal tutoring/academic advising, including academic staff assigned to a group of tutees to provide advice and pastoral care; and academic/student quality enhancement officers, who are professional staff working with academic program teams to improve student learning outcomes and performance. The approach is costly with individual intervention, but is reaping rewards.

In Australia, geographical distance from university is a participation and retention factor. Students from geographically dispersed locations take up online or external studies because it is the only option for them. These students need the same, if not greater, levels of “face-to-face” support which needs to be provided through high quality virtual learning environments and sophisticated systems

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<sup>3</sup> Nelson, K et al, 2017, *Understanding the completion patterns of equity students in regional universities* <https://www.ncsehe.edu.au/publications/completion-patterns-of-equity-students-in-regional-universities/>

<sup>4</sup> <https://www.universitiesaustralia.edu.au/Media-and-Events/submissions-and-reports/Students-Finances-Survey-2017>

<sup>5</sup> Burke, P J et al. 2017, *It’s About Time: Working Towards more equitable understandings of the impact of time for students in higher education* <https://www.ncsehe.edu.au/publications/its-about-time-working-towards-more-equitable-understandings-of-the-impact-of-time-for-students-in-higher-education/>

to optimise their opportunities for success. This too comes at a cost, but is essential for equitable participation.

A number of studies have shown that there are benefits in attending university even if a student doesn't complete. The Grattan Institute<sup>6</sup> found that many students who dropped out still gained benefits from their studies, including skills and contacts, and found their course interesting. An investigation recently published in the Journal of Higher Education and Policy Management by Michael Luckman<sup>7</sup>, a researcher at La Trobe University's Centre for Higher Education Equality and Diversity, found that students who started university but did not finish still gained financial benefit from higher education.

We note that the high adjusted attrition rate attributed to Federation University Australia, one of RUN's members, on page 7 of the discussion paper, is incorrect and that corrected data has been provided by the university to the department.

## Response to Consultation Questions

### 1. How should the Performance-based funding (PBF) scheme be implemented?

#### Consideration 1: how to grow a university's PBF amount from 2021

National population average growth will not identify areas of particular need.

RUN supports the use of regional population data to calculate each university's share of the PBF amount, coupled with consideration of higher education participation and attainment in a region, and regional skills needs.

A regional approach is consistent with recognising the circumstances of particular universities and the populations they serve. We suggest that Statistical Areas Level 3 (SA3s) are used as these are designed for the output of regional data. SA3s create a standard framework for the analysis of ABS data at the regional level through clustering groups of SA2s that have similar regional characteristics, administrative boundaries or labour markets. SA3s generally have populations between 30,000 and 130,000 persons. They are often the functional areas of regional towns and cities with a population in excess of 20,000, or clusters of related suburbs around urban commercial and transport hubs within the major urban areas.

However, population data alone will not pick up regional differences in relation to the potential student cohort.

The need to grow university participation/attainment in a region isn't just a function of population growth. RUN also recommends taking into account the higher education participation and attainment rate at a regional level, also at SA3, as well as population growth at this level, when calculating an institution's share of PBF. Regional skills need is also a relevant consideration.

#### Consideration 2: how to treat a university's PBF amount from 2021?

RUN supports adding the PBF to the Maximum Base Grant Amount (MBGA) after 2021.

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<sup>6</sup> Norton, A., Cherastidham, I. and Mackey, W. (2018). Dropping out: the benefits and costs of trying university. Grattan Institute.

<sup>7</sup> Reported in The Australian, 23 January, 2019.

We do not support keeping the PBF separate, such that the amount of funding at risk would grow each year. Increasing the amount of funding at risk each year will just add to the uncertainty that universities face in terms of future funding, and will negatively impact on their ability to plan future activities. It will reinforce the difficulties regional universities have in supporting a student cohort which is largely mature age, first in family, low SES, and regional, rural and remote.

## **2. What performance measures should the PBF scheme draw on?**

As outlined in the Nous paper *A performance framework for Regional Universities*, RUN supports the use of a combination of core, optional and institution-specific measures to determine performance. The following core measures were proposed in the Nous paper:

1. Completion (weighted)
2. Attrition (weighted)
3. Student satisfaction
4. Participation rates for equity groups (low SES, Indigenous, regional and remote, disability).
5. Employer satisfaction
6. Employer outcomes.

There is significant alignment of these measures and those proposed in the discussion paper, including first-year student attrition/retention; student completion, overall student satisfaction, full-time employment rate, and participation by students from low SES, regional/remote or Indigenous background.

RUN universities have a strong focus on expanding access to regional students and students from disadvantaged backgrounds. They massively exceed the national average for part-time students, off-campus students, students with disabilities and Indigenous, low SES, and regional and remote students. Recent analysis by the Grattan Institute<sup>8</sup> found that all of these student groups are at significantly higher risk of non-completion. Even after controlling for other observable attributes (including ATAR and socio-economic status), risks for many of these students remained high. They face structural challenges which are unrelated to their academic capability or the performance of their university. Attrition and completion measures must be weighted to take this into account, so as to avoid punishing regional universities for successfully expanding access to higher education for students from disadvantaged backgrounds.

As proposed in the Nous paper, we suggest that attrition and completion rates should be weighted according to student profile, not benchmarked, to ensure that universities are not punished for enrolling students from relevant student groups.

Weighting is preferable to benchmarking against similar institutions. It is simpler and more accurate.

An example of how to do this is shown in Figs. 9 and 10 of the Nous paper<sup>9</sup> and in Attachment A. Weighting will need to account for both the numbers of equity enrolments and the non-completion risk for each relevant student group.

We consider that the definition of attrition needs to be examined.

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<sup>8</sup> Norton, A., Cherastidham, I. and Mackey, W. (2018). Dropping out: the benefits and costs of trying university. Grattan Institute.

<sup>9</sup>Nous Pty Lt (2018). A performance framework for Regional Universities, published at <http://www.run.edu.au/resources/RUN%20Performance%20framework%20final%20report%2012%20June.pdf>

The way attrition is currently reported (students not progressing immediately to their second year of study), irrespective of the volume of learning they have achieved, is predicated on a traditional, full-time annual progression from commencement to completion. The Department of Education's own analysis shows that, at a national level, less than 50% of undergraduate students complete in 4 years. As currently defined, attrition does not address the diverse participation patterns of contemporary students, let alone account for it. A range of behaviours inherent in RUN student cohorts, such as needing to take a break due to family, work, financial or other reasons, and managing study load over years rather than semesters, are relevant. Recent research from the Grattan Institute indicates that over 40% of students who leave would still have begun their degree if they could go back.<sup>10</sup>

Many students drop in and out of higher education over a lengthy period.

RUN universities should strive to support students and improve retention, but can only influence some of the many causes of student attrition. Universities can reasonably be expected to influence student success and retention through teaching quality, student support and learning environment. These institutional factors, and their influence on students' psychosocial engagement with study, should form the focus of performance measures.

With respect to student completion, we propose that this is measured over 9-12 years, to capture those who may defer studies due to other commitments, then recommence their courses at a later stage.

Completions are much more important than attrition.

### **Optional measures**

Optional measures were proposed in the Nous paper that universities would select from a pre-approved list, aligned to their mission and strategic context. The list could include regional employment outcomes, staff incentives for teaching performance and community engagement, workplace learning and economic value to community:

- Teaching quality: teaching incentives (staff survey to determine recognition for teaching); % students engaged in work placements; % students who achieve reason for study within five years; graduate starting salary; progression to further qualifications (e.g. undergraduate to postgraduate studies, professional accreditation); institution-specific commitments agreed with Government;
- Equity of access: resources for student support; "Closing the achievement gap" (i.e. completion ratios of equity groups/total); progression to further qualifications (HDR, coursework, professional accreditation); Closing the gap in professional accreditation (e.g. Medicine, Law, Engineering etc.); institution-specific commitments agreed with Government;
- Social, cultural and economic need: % graduates in areas of national / regional priority; % of budget spent on activities with "direct community benefit"; economic value of the university to the local community; employment outcomes in areas of national / regional priority; regional employment outcomes; community development indicators (e.g. progress on local educational attainment, household income etc.); institution-specific commitments agreed with Government.

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<sup>10</sup> Norton, A., Cherastidtham, I. and Mackey, W. (2018). Dropping out: the benefits and costs of trying university. Grattan Institute.

### **Institution-specific measure**

Proposed in the Nous paper was up to one institution-specific measure approved by Government which could include measures such as the success of dual sector arrangements or support for regional disaster relief. Such a measure would capture the broader contribution of universities to social, cultural and economic needs, including regional universities being anchor institutions for their regions.

### **Other**

We do not support the use of HELP debts not expected to be repaid (DNER), including the level of DNER incurred at each university, and among different disciplines, as a measure of university performance. Universities cannot be held fully accountable for student's post-graduation outcomes.

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

As outlined in response to Question 2, and in the Nous paper, RUN supports a PBF scheme that has both core, optional and institution-specific measures to allow universities to capture something of the individual nature of their institutions, students and communities.

Given the student profile at RUN universities, we would support performance measures that reward participation by equity group students. We note that attrition rates, student satisfaction and graduate outcomes may fluctuate from year to year, so we don't support measures that would reward universities for meeting attrition rates, student satisfaction or graduate outcomes benchmarks for specific equity groups on a year-by-year basis.

We propose the PBF design takes into account the potential for year-to-year variance. Such variance has a much more significant impact on smaller, regional universities which tend to have proportionately larger changes in student profile, and face one-off events, such as natural disasters or local economic shocks.

A brief written submission, as noted in the Nous paper, would enable universities to put context around the performance measures. We understand that having a written submission made a real difference to some assessments under the UK TEF.

### **4. How should performance benchmarks be set?**

In general, we support a PBF scheme which would require universities to demonstrate a minimum acceptable level of performance every year across the selected measures in order to grow their CGS funding, rather than a more complex system.

In response to Q. 2 we have proposed a way that attrition could be measured, taking into account the student cohort of individual universities.

Weighting is preferable to benchmarking against past performance. Annual metrics are volatile and vary according to factors beyond the control of an institution (especially in high growth universities). At the very least, figures should be calculated using a rolling average than year-on-year change.

Weighting the measures as proposed is preferable to the suggested performance measure ranking process, whereby universities may be required to be ranked in the top 50% for at least one of a range of performance measures.

### **5. Should the PBF amounts of unsuccessful universities be redistributed?**



The PBF amounts of unsuccessful universities should be redistributed, either to fund more enabling and sub-bachelor places at institutions in need of more pathway places, or to support students from disadvantaged backgrounds e.g. scholarships.

RUN does not support stretch targets, as these will reinforce the difficulties regional universities have in supporting a student cohort which is largely mature age, first in family, low SES, and regional, rural and remote.

#### **6. How much lag is acceptable between PBF data and the funding years?**

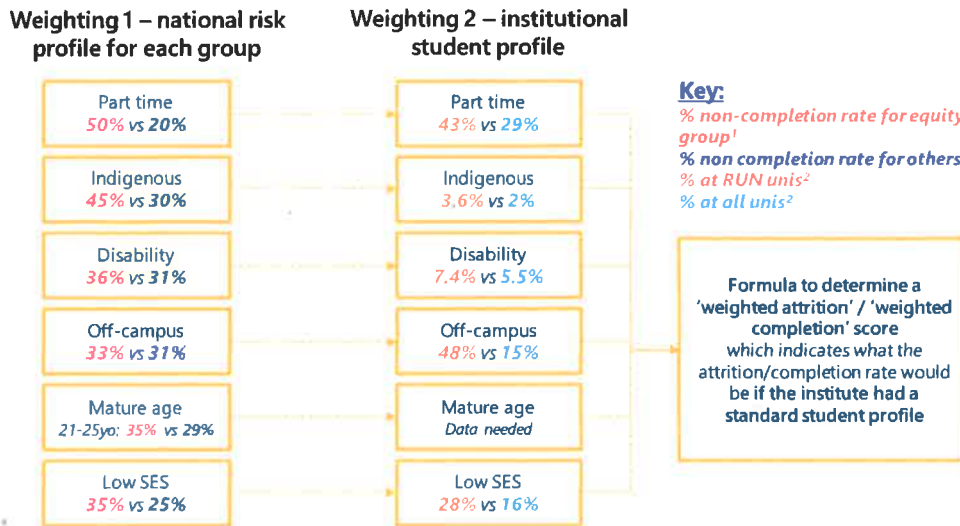
Ideally, no lag is acceptable between PBF data and the funding years, however, the indicators lag anyway. The lag should be minimised as much as possible.

#### **7. How should PBF be regulated?**

Amending the Commonwealth Grant Scheme Guidelines to include the PBF requirements would appear to be the most straight forward way to regulate the PBF.

If a Regional, Rural and Remote Education Commissioner was appointed, that person could provide advice to ministers on the impact of the PBF on regional universities.

Figure 9 - Attrition and completion should be weighted to account for different student profiles



1. Source: Grattan Institute, 2018. Except for Low-SES, non-completion rates are controlled for other variables, including other personal characteristics and ATAR. We would recommend not controlling for ATAR, as universities should not be punished for having a different ATAR profile.
2. Source: Commonwealth Department of Education and Training, 'Student Data 2016', Higher Education Statistics, 25 October 2016.

Figure 10 demonstrates how this approach would calculate the completion rate for a hypothetical 'University A'. University A has a six-year completion rate of 60% - well below the national average of 70%. However, it also has significantly higher proportions of students with high non-completion risk, including part time, off campus and low-SES students. The weighting formula takes this into account and calculates what the university's completion rate would be if it had average numbers of these student cohorts.

Figure 10 - The weighting formula should generate the completion/attrition rate each institution would have if its student profile was the same as the national average

