

IRU Comments: Exposure Draft of the Reward Funding Guidelines for Performance Funding

The IRU provides the following comments on the exposure draft Other Grant guidelines intended to support the allocation of performance funding. The comments fall into two sets:

- the question of how to determine success against an indicator to reduce the risks associated with a simple “target met” or “target not met” approach for the allocation of Component A; and
- points of clarification concerning Components B and C.

Component A: Reward funding

The allocation of reward funding is tied to a university meeting the target for a performance element set out in its Compact with the Government. In the initial years funding for some elements is simply tied to participation in the development of suitable instruments and targets.

The targets involve annual increases to a university’s starting point against the indicator. The annual increase is the same for all universities but the starting points vary. For some of the indicators there is also an excellence marker which once achieved removes the need for further improvement to gain the associated funding.

As constructed, a university must achieve the target point for the given year to gain funding. This has several potential implications as the system rolls out:

- there is no reward for achieving a significant increase that falls short of the target increase;
- the targets increase year to year such that once a university falls behind it would require a major increase to catch up to the target for future years. Achievement of the 2012 target in 2013 will not bring reward funding;
- this places considerable pressure on each measure, none of which are likely to be statistically precise at the level implied by the targets and their proposed use.

The risk is that, over time, universities pull back from serious activity against targets they deem beyond reach, even though improvement in the relevant area remains feasible. The unallocated portion of the Component becomes very large, rather than being a minor part driven by clearly low levels of performance by individual universities against particular measures.

The IRU propose that universities be eligible for funding from each performance element once they reach a threshold of measureable improvement. The funding for achieving the threshold would be a proportion of the full amount available. Receipt of the full amount would still require meeting the target or excellence marker. A further option would be to provide additional funding for exceeding the target or being at the excellence threshold.

There are many ways in which this could be done, depending on the emphasis to remain on achieving the target against improvement towards it, and varying number of achievement points. An example is that:

- achieving 50% of the target increase would earn 30% of the performance funding available to that university for reaching the target;
- achievement of higher steps such as 60%, 70%, 80%, 90% of the target would earn increasingly higher proportions of the funding;

- achievement of the target earns 100% of the funding available for that university; and
- achievement of excellence or greater than 110% of the target increase would earn 110% of the funding (subject to there being unused funds available to do this).

As the system develops it may also be necessary to recognise the initial achievement of earlier targets. There is little reason to fund achievement of a particular target if met in 2012 but not do so if it is not reached until 2013.

The outcome of the IRU proposal would be that universities retain a clear incentive to continue improvements and the data sources for each performance element would be subject to somewhat less heat. It would increase the proportion of funding allocated under Component A, driven by known clear targets with less funding subject to annual decisions to support particular projects or institutions (Component B).

Component B: Unallocated funds

The IRU supports the intent that the Minister use unallocated funds from Component A to strengthen the quality of teaching and learning. The draft Guidelines provide no information about the basis on which such funds would be allocated. The IRU urges the Minister to discuss this further with the sector.

The Guidelines permit Component B to be allocated to Table A universities and other institutions as the Minister determines. The list contrasts with that for Component C which lists a number of specific third party bodies to which funding could be allocated as well as having the catch all provision.

The provision for Component B would be much clearer if example organisations or the type of organisation were specified. The IRU would consider any such list against the purpose of the funding to support teaching and learning quality among the universities funded to educate Australian students.

Component C: quality initiatives

The IRU understands the need to support the development of suitable measurement tools and instruments to support the performance evaluation that drives the allocation of performance funding. The 2011 Budget papers indicate that the funds to do this are to come from the initial allocation for performance funding for 2012 and 2013. It would be useful to have confirmed that from 2014 the full quantum of funding is intended to be available for performance funding allocations.

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