



Australian Government

Department of Education, Employment and Workplace Relations

Department of Innovation, Industry, Science and Research

MISSION-BASED COMPACTS FOR UNIVERSITIES

A FRAMEWORK FOR DISCUSSION

July 2009

1. INTRODUCTION

- 1.1 The Australian Government's transformational reforms of the higher education sector announced in the 2009-10 Budget mark the start of a new relationship between the Government and higher education institutions. It will be based on mutual respect, trust and shared goals to improve students' educational experiences and outcomes and to build research capacity and international competitiveness.
- 1.2 In keeping with its aim to build productive partnerships, the Government will enter into mission-based compacts with universities to support them to pursue their distinctive missions and to contribute to the Government's ambitions for the higher education sector as a whole.
- 1.3 This year the Government will consult with the higher education sector, including universities, to develop the compacts framework. There will be Interim Agreements made with universities in 2009 for 2010.
- 1.4 During 2010, the first compacts will be negotiated with all providers listed on Tables A and B of the *Higher Education Support Act 2003*, for 2011. The content of compacts may vary between institutions, depending on their eligibility for various types of Commonwealth teaching and research funding.
- 1.5 This paper has been prepared by the Department of Education, Employment and Workplace Relations (DEEWR) and the Department of Innovation, Industry, Science and Research (DIISR) to stimulate a discussion about the nature of, and arrangements for, the introduction of mission-based compacts. DEEWR and DIISR will meet with key stakeholders at round table meetings in July and August 2009 to discuss the compacts framework, and these discussions will inform the Australian Government's final decisions on the structure and operation of mission-based compacts. These meetings will also explore the nature of Interim Agreements for 2010.
- 1.6 Towards the end of 2009, DEEWR and DIISR will visit all universities for strategic discussions to discuss the Interim Agreements in more detail and how the compacts framework will operate. These meetings will also include discussion of performance informed by the 2009 Institution Assessment Framework portfolios. From 2010 these visits will be replaced by the compacts discussions.

2. COMPACTS OVERVIEW

- 2.1 Compacts will outline the relationship between the Commonwealth and individual universities and provide a framework for jointly achieving the Government's reform agenda and institutions' individual missions.
- 2.2 Compacts will define an institution's particular mission and describe how it will fulfil that mission and contribute to the Australian Government's sector-wide policy objectives. They will facilitate alignment of institutional activity with national priorities.
- 2.3 Compacts will recognise the value of institutional autonomy while promoting excellence and supporting growth. They will facilitate the distribution of performance-based funds for teaching and learning and for research.
- 2.4 Compacts will give individual universities the chance to build on their strengths and articulate the role they play in the higher education and innovation systems and their local regions and communities. They will facilitate greater specialisation within the

sector and greater diversity of missions. The Commonwealth will work cooperatively with institutions to support any changes in strategic direction.

- 2.5 This paper provides a brief overview of key issues to be considered in developing the compact framework, including the role and form of compact mission statements and discussion of mission fulfilment, accountability measures and possible components.

3. COMPONENTS OF COMPACTS

- 3.1 It is proposed that compacts be in three principal parts:

- (1) a preamble which, on a whole-of-university basis, defines an institution's particular mission and describes how it will fulfil that mission;
- (2) a teaching and learning component which will address at least the following:
 - the institution's commitments to contribute to national priorities identified by the Government in relation to the provision of student places and details of any targeted government assistance where applicable
 - targets for performance-based fundingand could also include details of other funding where eligible (eg: funding for structural adjustment, partnership activities).
- (3) a research component which will address at least the following:
 - funding for research and research training provided under the *Higher Education Support Act 2003* and through the Collaborative Research Networks (CRN) program, and any other initiatives; and
 - commitments to contribute to priorities identified by the Government in relation to a range of research and research training policy objectives.

- 3.2 Compacts could be comprehensive agreements that present a whole of institution picture, including information on all DEEWR and DIISR funding determined by other mechanisms such as formula or application-based grants. This could include support provided for purposes such as infrastructure, international engagement and innovation.

- 3.3 The proposed content of the three parts is discussed in the following sections. The proposed process by which they will be developed in partnership with institutions is discussed in section 7.

Issues for discussion

- How can compacts best encompass or complement other support provided by DEEWR or DIISR for activities such as infrastructure, international engagement or innovation?

4. COMPACT PREAMBLE

- 4.1 The preamble will give effect to the Government's announced intention that compacts define an institution's particular mission and describe how it will fulfil that mission.
- 4.2 University missions are currently expressed in a wide variety of different forms, ranging from concise 'vision statements' through to comprehensive strategic planning documents. A mission statement, as expressed in a compact, will be a clear statement of the role and specific place that an institution sees itself occupying within the higher education sector.
- 4.3 The description of how the university will fulfil its mission will provide a concise, whole of university plan, and priorities and initiatives consistent with mission fulfilment and available resources. Aspects of this description may be developed in greater detail in the teaching and learning and research sections where appropriate.
- 4.4 The Government proposes that preamble development by universities be guided by a template along the lines of *Attachment A*.
- 4.5 The Government would not expect to intervene in the definition of university missions through compacts, although it may seek clarification and additional detail where necessary. It would also seek to ensure that targets agreed for performance funding and proposed research and research training activity took account of both national goals and institutional missions and strategic direction.
- 4.6 A preamble could also include principles under which public funding will be provided for higher education and how the compact will support the principles. Those principles could include, at the highest level:
- the importance of opportunity for all, especially those students from groups under-represented in higher education;
 - access to university based on merit, not ability to pay;
 - high quality research and research training that advances knowledge and critical thinking;
 - responsiveness to the economic and social needs of the region; and
 - academic freedom and institutional autonomy.

Compacts would facilitate:

- a focus on excellence within the mission of each university irrespective of its distinctive strategic direction;
- transparency, with decision making in respect of compact agreements and provision of public funding being open to external scrutiny, and based on a fair application of consistent rules;
- accountability for outcomes, with universities and the Government sharing responsibility to report publicly on performance against clear and measurable goals;
- appropriate and reasonable reporting requirements; and

- a streamlined funding and accountability framework.

Issues for discussion

- Does Attachment A provide a reasonable template for setting out each institution's mission and a description of how an institution plans to fulfil that mission? Are there items that should be included or excluded?
- Is there value in inclusion of principles in a compact? What do institutions consider to be key principles for inclusion in compacts?

5. TEACHING AND LEARNING COMPONENT

- 5.1 A teaching and learning component of compacts will be agreed with all higher education institutions listed on Table A of the *Higher Education Support Act 2003*. The compact with Table B providers will only include a teaching and learning component where the institution has Commonwealth Supported Places, as is currently the case for the University of Notre Dame Australia.
- 5.2 Compacts will include agreement on performance expectations for teaching and learning. The scope of teaching and learning will encompass undergraduate education and postgraduate coursework. It may include outreach and linkages with other institutions, including other tertiary education providers and schools.

Student Places

- 5.3 The introduction of student centred funding in 2012 means that the Government will fund a Commonwealth supported place for all undergraduate domestic students accepted into an eligible course. This may also apply to some equivalent post graduate by coursework places. As such, there will not be a need for agreement on numbers of funded places, as currently made through funding agreements under the current Commonwealth Grant Scheme (although there will be a need to settle estimates for payment purposes).
- 5.4 The Government will need to maintain a role in ensuring Australia's skills needs are being met by the higher education system. Special measures may be considered as necessary to ensure that disciplines of national interest or areas of study of notable or enduring educational merit are maintained in the demand driven system. The teaching and learning component of compacts could be the mechanism for agreement with individual institutions on supply measures, including commitments to sustain or grow national priority areas and targeted support by the Government where warranted for particularly vulnerable disciplines.

Performance funding, indicators and targets

- 5.5 The Government has announced that from 2012, at-risk performance funding will be provided to institutions that meet agreed performance targets. Transition arrangements will be in place for 2011.

- 5.6 In 2010, as part of compact negotiations for 2011, universities and the Government will negotiate institution-specific performance targets. In return for agreeing these targets institutions will receive a facilitation payment in 2011 which will be the institution's share of \$94.6 million (roughly equivalent to the value of increased indexation on teaching and learning grants).
- 5.7 In 2010, the Government will work closely with key stakeholders to develop a robust set of performance indicators prior to negotiation of targets for 2011. The indicators will be based on measures of the quality of teaching and learning as well as participation and success for under-represented groups.
- 5.8 Institutions will be expected to meet quantitative performance targets that will be negotiated through the compacts process. Individual institutional targets will be set at levels consistent in aggregate with the Government's ambitions for performance of the sector as a whole but in a manner which also takes into account individual university circumstances.
- 5.9 Performance targets will be:
- challenging but appropriate for the circumstances of individual universities; and
 - individual targets against system-wide indicators of performance.

Role of TEQSA

- 5.10 The Government has announced the establishment of the Tertiary Education Quality and Standards Agency (TEQSA) in 2010. TEQSA will provide an independent assessment of whether institutions have achieved their teaching and learning performance targets.
- 5.11 TEQSA will not be responsible for the negotiation of targets or delivery of performance funds to institutions. This will be managed by DEEWR.

Structural adjustment funding

- 5.12 The Government has provided \$400 million over four years for structural adjustment. The funding will assist those universities that need to implement substantial, strategic changes to their missions to enhance their place in the new higher education environment. Compact negotiations will provide an opportunity for discussion of changes in strategic direction and proposals for structural adjustment to achieve long-term sustainability.

Issues for discussion

- Comment is sought on use of the compacts negotiation process for effective targeting of structural adjustment funding.
- While development of performance indicators and targets will be the subject of separate consultation with the sector, initial views are sought on how targets might best be used within the compacts framework to facilitate institutional diversity and achievement of government priorities for the sector?

- How might compacts best be used to ensure national skills needs are being met?

6. RESEARCH AND RESEARCH TRAINING COMPONENT

6.1 It is proposed that all funding for research and research training provided under the *Higher Education Support Act 2003* and through the Collaborative Research Networks (CRN) program will be encompassed by Interim Agreements in 2010 and compacts in 2011. These programs fall under three broad headings: formula driven performance-based block grant programs; negotiated performance-based programs; and competitive grants programs to support reform. Figure 1 details the programs in terms of their categories and their areas of strategic focus.

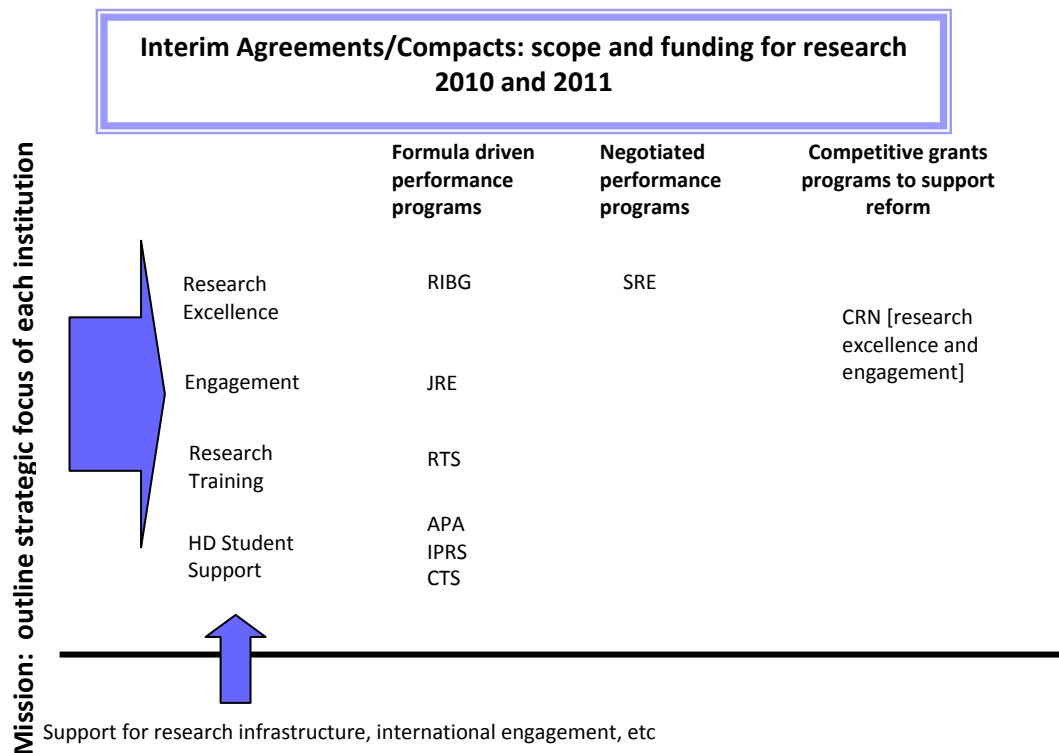


Figure 1: Research component elements

Formula-driven performance-based funding

6.2 From 2010, the research block grants programs administered by DIISR will include the Research Infrastructure Block Grants (RIBG), Joint Research Engagement (JRE), Research Training Scheme (RTS), Australian Postgraduate Awards (APAs), International Postgraduate Research Scholarships (IPRS) and the Commercialisation Training Scheme (CTS). Funding is allocated using formulae that reward institutional performance in attracting research income, disseminating research results, higher degree student load and higher degree completions. Universities and other higher

education providers will continue to attract funds through these mechanisms but will detail in their compacts how they will utilise these resources to support their strategic objectives for research and the Government's policy objectives.

Negotiated performance funding

- 6.3 From 2010, the new Sustainable Research Excellence (SRE) program will assist universities to more fully meet the indirect costs of research. All universities will receive additional funding comprising a share of 20 per cent of the program, based on their relative success in attracting research income from approved competitive grants programs. Access to the remaining 80 per cent will be contingent on universities undertaking activity based or transparent costing as well as meeting particular performance targets.
- 6.4 Should universities meet target requirements, they will be able to enter into a negotiated agreement with DIISR for additional funds from the 80 per cent negotiated portion of SRE to help to meet the indirect costs of research. The first year of funding would assist in the establishment costs, with a staged introduction of the program until its full funding of \$300 million per annum in the 2013 calendar year.
- 6.5 Only the majority of those universities meeting published performance-based criteria will be eligible for the SRE. These criteria would be consistent with the Australian Government's policy goals and would be based as far as possible on data provided by existing reporting requirements, to minimise the compliance burden on institutions.
- 6.6 The negotiated funding pool will be allocated on the basis of a university's performance and their agreed indirect costs of research. This will lead to changes in the distribution of research block funding and drive greater institutional differentiation. Over time this will be reflected in universities' mission statements, funding bids and overall performance. Further information on the SRE program will be provided in a discussion paper to be released shortly.

Competitive grants to support reform

- 6.7 The Collaborative Research Networks (CRN) program will provide \$52 million from 2011 to assist smaller and regional universities adapt to a research system driven more strongly by performance outcomes. Grants will be available to small and less research-intensive universities as leaders of collaborative projects with other universities. Institutions will identify their intentions with respect to participation in the CRN program and how these activities will support their overall mission with respect to research.

Issues for discussion

- What implementation issues need to be taken into account in delivering this component of the framework?

7. ACCOUNTABILITY

- 7.1 Under new funding arrangements for the higher education sector, institutions will have greater freedom and responsibility for setting their own strategic direction, particularly in relation to their mix of courses and number of places.
- 7.2 As part of a new quality and regulatory environment, universities will cooperate with the Tertiary Education Quality and Standards Agency (TEQSA) on accreditation and development of standards and continuous improvement.
- 7.3 Compacts will be used to raise performance and achieve reform in a number of key priority areas of teaching and learning and research. They are not intended to direct or monitor the totality of university activities.
- 7.4 The Government will focus on the priority areas addressed in compacts, however, it will continue to have a wider need to monitor and evaluate university performance to:
- ensure that universities are sustainable and that government funding is being expended appropriately and in accordance with legislative requirements;
 - inform ongoing compact negotiations by providing a larger institutional ‘picture’ as necessary background for agreement on targets for improvement and reform; and
 - assure quality of research performance.
- 7.5 DEEWR and DIISR therefore propose to continue to assemble a comprehensive portfolio for each institution on an annual basis to provide universities and the Government with a broad overview of each institution’s performance.
- 7.6 Compact discussions will subsume the previous Institution Assessment Framework (IAF) strategic meetings. The new discussions will serve dual and complementary purposes: to review institutional activities in the previous year(s), with a view to performance and accountability for public funding, and to use that as a base for forward-focused compacts discussions.
- 7.7 The relationship of compacts and the larger performance and accountability framework is presented diagrammatically below at Figure 2.

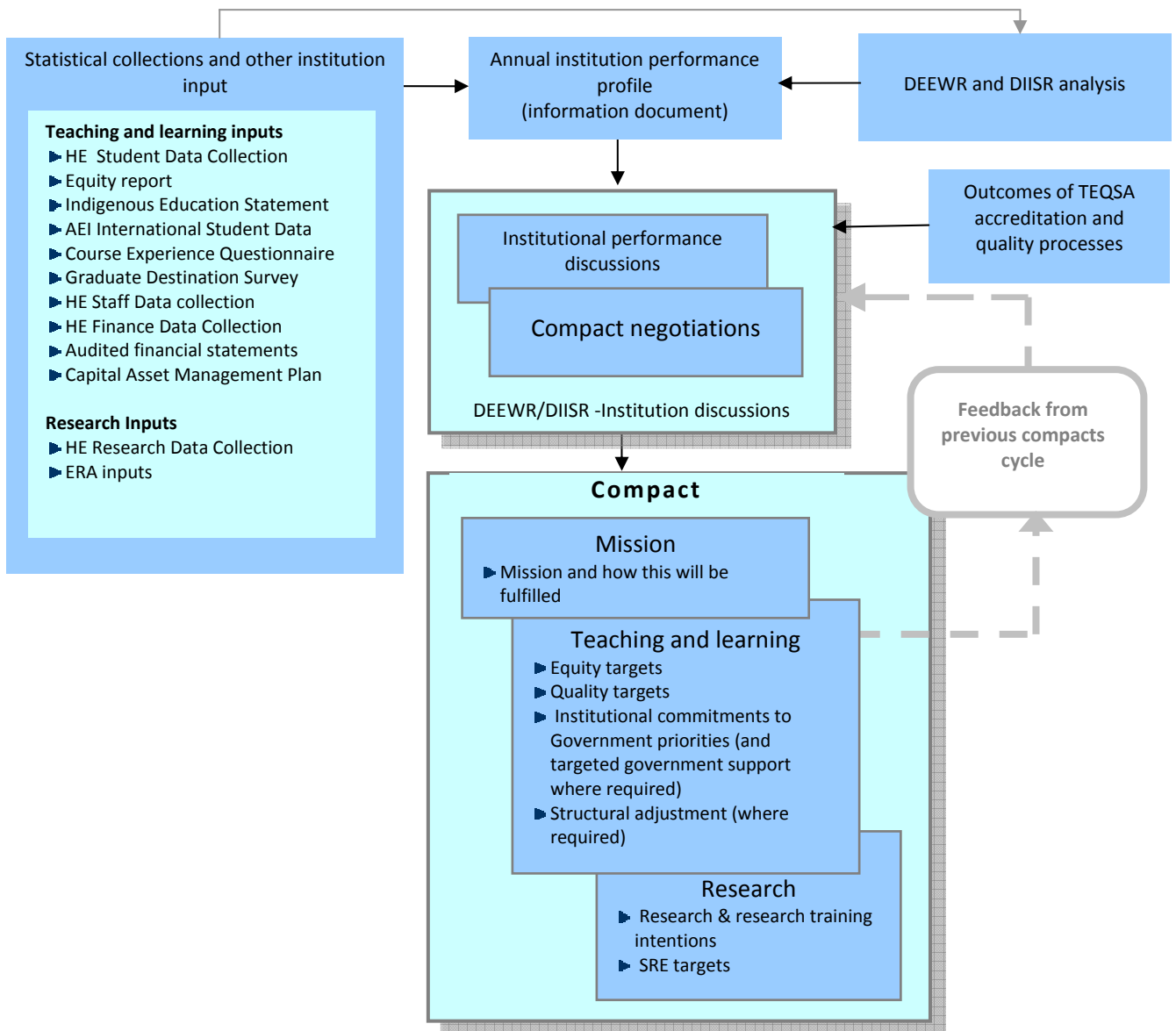


Figure 2: Proposed compact accountability model

Issues for discussion

- What elements of the current Institution Assessment Framework Portfolios should be retained to inform future compact discussions?
- Should compacts be publicly available?

8. COMPACT DEVELOPMENT

8.1 It is proposed that development and mutual agreement of compacts be facilitated by meetings between individual institutions and DEEWR and DIISR, to be held in the second half of each year.

- 8.2 From 2010 onwards, it is proposed that institutions submit a draft compact preamble prior to meetings, to maximise opportunity for productive outcomes.
- 8.3 The duration of compacts will need to be considered. Multi-year compacts may be advantageous for institutional planning, but could allow for annual review against performance targets and the possibility of renegotiation of some sections as required.
- 8.4 The research and research training section of the compacts to be developed in 2010 will include a description of how the university plans to use the funds it receives to support its strategic objectives and mission, and to support the Government's policy objectives for research. Progress would be reviewed on an annual basis, and in the event of multi-year compacts being agreed, there would be scope to renegotiate the compacts as required.

Issues for discussion

- What will be the consequences of a university failing to effectively negotiate a compact and/or meet the terms of its compact?
- Should the term of compacts be one year only or should they be multi-year agreements?

9. INTERIM AGREEMENTS

- 9.1 In 2009, an Interim Agreement will be agreed with each institution for 2010. It will include a preamble, teaching and learning section and research section.
- 9.2 As Commonwealth Grant Scheme funding agreements will continue to be in force in 2010 and 2011, the teaching and learning section of the Interim Agreement will refer to the funding agreement and outline the anticipated content of the section in future compacts. No funding for teaching and learning will be contingent on the Interim Agreements. It will seek institutions' commitment to working cooperatively to finalise the compacts framework, particularly with respect to teaching and learning performance indicators and targets.
- 9.3 The research section will outline the anticipated content of future compacts and institutions' commitment to working cooperatively to finalise the compacts framework, particularly with respect to SRE, and to supporting the Government's policy objectives for research. In particular, institutions will commit at least to:
- undertaking transparent costing in 2010 for the purposes of eligibility for the negotiated element of the SRE;
 - working with DIISR to develop the performance framework to underpin the SRE; and
 - an initial statement of intent in relation to participation in the CRN, either as a hub or as a spoke.

10. CONCLUSION

- 10.1 This paper has provided an overview of a number of key issues to be considered in finalisation of a framework for compacts. The paper highlights issues on which views are specifically sought, but comments will be welcomed on any matters relevant to the compacts framework.

Draft preamble template

University mission

What the university is at present
[general statement]

What the university aspires to be
[general statement]

What differentiates the university from others

- Within its region/state or territory/nationally
- Does the institution intend to accentuate/diminish that differentiation? If so, how?

Major planned initiatives

- Academic
- Research
- Organisational
- Infrastructure
- Any other