



Australian Government

Department of Education, Employment and Workplace Relations

# PERFORMANCE FUNDING

# TECHNICAL GUIDELINES

Issued by:

Higher Education Group  
December 2011

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## Introduction

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The Performance Funding Guidelines are set out in two parts:

1. The Administrative Guidelines describe policy in relation to Performance Funding, which comprises a Facilitation Funding component under Part 2-2 of HESA and a Reward Funding component under part 2-3 of HESA .
2. The Technical Guidelines describe the process for the calculation of baseline quantitative performance indicators, assessment of performance against targets and calculation of the allocation of Facilitation and Reward Funding.

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## 1. Data sources

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Reward Funding will be paid in accordance with the Other Grants Guidelines. In 2012, Reward Funding will be paid on achievement of quantitative performance targets against two indicators in the participation and social inclusion performance category. From 2013, Reward Funding will be paid on achievement of quantitative performance targets against two indicators. In 2011-13, Facilitation Funding will be paid for agreeing performance targets to participate in the development of and establish a performance baseline for four other indicators. Data to inform the quantitative Performance Funding indicators will be obtained from the Department's Higher Education Student Data Collection and Centrelink payments data. The data sources for the quantitative indicators are outlined below.

### 1.1 Indicator 1A: Proportion of domestic undergraduates who are from a low SES background (low SES target)

The low SES target uses the interim indicator of low SES developed by the Department in 2009. The interim indicator has two constituent components:

1. The first is the number of domestic undergraduate students who were determined to have a low socioeconomic status based on their home address. This calculation is based on the number of undergraduates in the lowest Socio Economic Index For Areas Index of Education and Occupation quartile measured at Census Collection District (CD) level, recorded in the Higher Education Student Data Collection.
2. The second part is the number of undergraduates receiving selected financial assistance. This is based on Centrelink student payments data, including Dependent Youth Allowance, ABSTUDY Living Allowance, AUSTUDY, Pensioner Education Supplement, ABSTUDY Pensioner Education Supplement and ABSTUDY Away from Base payments.

The interim low SES indicator combines the CD and Centrelink payments data, using weights of  $\frac{2}{3}$  and  $\frac{1}{3}$  respectively. More detail on these calculations is in section 3.1.

## 1.2 Indicator 1B: Proportion of domestic undergraduates who are from an other underrepresented Group (other underrepresented group target)

The other underrepresented group target uses the proportion of domestic undergraduate students who are from an other underrepresented group nominated by the university. The other university nominated (domestic) underrepresented group can be selected from students from regional/remote areas, Indigenous students, students with a disability or students from a non-English speaking background. The university may nominate an alternative underrepresented group, provided data are available from the Higher Education Student Data Collection.

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## 2. Data coverage

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### 2.1 Performance Targets - Determination of baseline

Table 1 below shows the data sources and the years that will be used in the calculation of the baseline levels of performance from which the 2012 and 2013 improvement targets will be agreed. Calculation of the baseline for low SES targets will use one year of data only. For calculating the other underrepresented group baseline, universities will have the choice of using either one year of data or data averaged over two years. Universities will inform the Department whether they will choose to use one year of data or averaged data (where relevant) and this will be reflected in the university's Compact. Note that the university's choice of annual or averaged data will be used for both setting baseline performance and for assessing performance against improvement targets for the duration of the Compact period.

**Table 1: Data sources and years available for use for the determination of baseline**

| Data source                                     | Participation and Social Inclusion |  |
|---|------------------------------------|--|
|   | Low SES Baseline                   | Other under-represented group Baseline |
| <b>Higher Education Student Data Collection</b> |                                    |  |
| Student enrolment information                   | 2009                               | 2008, 2009 <sup>1</sup>                |
| <b>Centrelink payments data</b>                 |                                    |  |
|   | Sep 2009                           |  |

<sup>1</sup> If annual data is chosen for improvement, 2009 data would be used.

### 2.2 2012 - Assessment of improvement and excellence

Table 2 below shows the data sources and the years that will be used in the assessment process to determine whether the 2012 excellence or improvement target for the low SES indicator, and the 2012 improvement target for the other underrepresented group indicator have been met. Assessment of excellence targets will use data averaged over two years. In the case of improvement targets, universities will have the choice of using either annual data or data averaged over two years to assess improvement and this will be reflected in the university's Compact. Note that the university's choice of annual or averaged data will be used for both setting baseline performance and for assessing performance against improvement targets for the duration of the Compact period.

**Table 2: Data sources and years available for use for 2012 assessment of performance**

| Data source                                     | Participation and Social Inclusion |  |
|---|------------------------------------|--|
|   | Low SES Improvement and excellence | Other under-represented group Improvement only |
| <b>Higher Education Student Data Collection</b> |                                    |  |
| Student enrolment information                   | 2010, 2011 <sup>2</sup>            | 2010, 2011 <sup>2</sup>                        |
| <b>Centrelink payments data</b>                 | Sep 2010, Sep 2011 <sup>2</sup>    |  |

<sup>2</sup> If annual data is chosen for improvement, 2011 data will be used.

## 2.3 2013 - Assessment of improvement and excellence

Table 3 below shows the data sources and the years that will be used in the assessment process to determine whether 2013 excellence or improvement targets for the low SES indicator, and the 2013 improvement target for the other underrepresented group indicator have been met. Assessment of excellence targets will use data for two years. In the case of improvement targets, universities will have the choice of using either annual or data averaged over two years to assess improvement and this will be reflected in the university's Compact. Note that the university's choice of annual or averaged data will be used for both setting baseline performance and for assessing performance against improvement targets for the duration of the Compact period.

**Table 3: Data sources and years available for use for 2013 assessment of performance**

| Data source                                     | Participation and Social Inclusion |  |
|---|------------------------------------|--|
|   | Low SES Improvement and excellence | Other under-represented group Improvement only |
| <b>Higher Education Student Data Collection</b> |                                    |  |
| Student enrolment information                   | 2011, 2012 <sup>3</sup>            | 2011, 2012 <sup>3</sup>                        |
| <b>Centrelink payments data</b>                 | Sep 2011, Sep 2012 <sup>3</sup>    |  |

<sup>3</sup> If annual data is chosen for improvement, 2012 data will be used.

## 2.4 Data Variables

The variables that will be used to filter the data can be found in Table 4 below. The coverage is applied before the calculation of the performance indicators and the explicit variable definition is provided in brackets after each coverage note in the table. A description of the variables referred to in Table 4 can be found in Tables A.1.

**Table 4: Data coverage by performance indicator**

| Coverage (variable definition)                              | Participation and Social Inclusion |                               |
|---|------------------------------------|-------------------------------|
|   | Low SES                            | Other under-represented group |
| <b>Unistats</b>   |                                    |                               |
| All Undergraduates<br>(E310 = 08, 09, 10, 13, 20, 21 or 22) | X                                  | X                             |
| One record for a major course (E331 = 1 or 2)               | X                                  | X                             |
| Open Learning students <b>excluded</b> (E306 ≠ 3037)        | X                                  | X                             |
| Domestic students<br>(E358 = 1, 2, 3 or 8)                  | X                                  | X                             |
| Australian home postcode<br>(E320 begins with A)            | X                                  | X                             |

X Indicates that the restriction is applied to the data before a particular indicator is calculated.

### 3. Calculation of indicators

The calculation of each of the quantitative performance indicators, for determination of the baseline and assessment of performance, at the university level is undertaken as follows:

#### 3.1 Performance indicator 1A: Proportion of domestic undergraduates who are from a low SES background (low SES target)

This performance indicator provides a measure of the participation of students from a low SES background and is measured as a proportion of all domestic undergraduate students.

The low SES indicator is calculated as follows:

$$lowSES = \frac{\frac{2}{3} \times n_{CD} + \frac{1}{3} \times n_{Centrelink}}{n}$$

Where

$n_{CD}$  = number of domestic undergraduates within the university who are from a low SES background, as measured by the ABS Socio-Economic Index for Areas (SEIFA) Index of Education and Occupation (IEO) index measured at Census Collection District (CD) level, or postcode if CD level not available

- $n_{Centrelink}$  = total number of undergraduate Centrelink payment recipients within the university receiving any or all of the following payments:
- Dependant Youth Allowance recipients (full-time students) with parental income under \$42,200;
  - ABSTUDY (Living Allowance) dependent recipients with parental income under \$42,200, as well as, independents who qualify on criteria other than workforce participation status;
  - Austudy recipients;
  - Pensioner Education Supplement recipients;
  - ABSTUDY Pensioner Education Supplement recipients; and
  - ABSTUDY Away from base assistance recipients.
- $n$  = number of domestic undergraduate students, subject to data definitions shown in Table 4

The data sources for this performance indicator can be found in Tables 1, 2 and 3 for determination of baseline performance and assessment of performance and data definitions for this indicator are shown in Table 4.

### **3.2 Performance indicator 1B: Proportion of domestic undergraduates who are from an other underrepresented group (other underrepresented group target)**

This performance indicator measures the participation of students from an other underrepresented group as a proportion of all domestic undergraduate students.

The other underrepresented group indicator can be expressed, at the university level, as ‘the proportion of domestic undergraduate students who belong to the underrepresented group, as nominated by the university’.

The other underrepresented group indicator is calculated as follows:

$$OTHERUG = \frac{n_{\text{underrepresented group}}}{n}$$

Where

- $n_{\text{underrepresented group}}$  = number of domestic undergraduate students within the university from the underrepresented group nominated by the university
- $n$  = number of domestic undergraduate students within the university, subject to data definitions shown in Table 4

The data sources for this performance indicator can be found in Tables 1, 2 and 3 for determination of baseline performance and assessment of performance and data definitions for this indicator are shown in Table 4.

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## 4. Measures of excellence

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### 4.1 Measure of excellence for the low SES target

A university will be deemed as excellent for the low SES indicator if their crude rate in the year of assessing the performance target is greater than or equal to their excellence target.

#### 4.1.1 Excellence target for universities with more than 75% of undergraduate students being drawn from the university's home state

The excellence target for each university will be set at the relevant State adjusted excellence level. The excellence levels acknowledge the different low SES catchments for undergraduate students in each State/Territory. The excellence levels have also been established with reference to the milestone that 18.5% of undergraduate higher education students will be from a low SES background by 2014-15 (DEEWR, Portfolio Budget Statement 2010-11, p.80). The excellence level for each State/Territory is derived as follows:

$$excellence_{state} = \left( \frac{2}{3} P_{CD,state} + \frac{1}{3} P_{income,state} \right) \times \frac{18.5\%}{25.0\%}$$

Where

$P_{CD,state}$  = the percentage of 15-64 year-olds in the population in each State/Territory or nationally from a low SES background using the ABS Socio-Economic Index for Areas (SEIFA) Index of Education and Occupation (IEO) index measured at Census Collection District (CD) level (see column 1, Table 5), i.e. the reference population for the CD measure

$P_{income,state}$  = the percentage of families with at least one dependent child aged 15-24 with parental incomes below \$42,200 in each State/Territory and nationally as measured by the ABS Survey of Income and Housing, 6541.0, 2007-08 is (see column 2, Table 5), i.e. the reference population for the Centrelink payments measure

**Table 5: State adjusted excellence level**

| State    | % of low SES CD measure | % low SES income measure | % low SES 2/3 CD + 1/3 income measure | % low SES excellence level |
|----------|-------------------------|--------------------------|---------------------------------------|----------------------------|
| NSW      | 24.2                    | 26.0                     | 24.8                                  | 18.4                       |
| Vic      | 22.2                    | 25.9                     | 23.4                                  | 17.4                       |
| Qld      | 28.8                    | 21.1                     | 26.2                                  | 19.4                       |
| SA       | 33.1                    | 26.9                     | 31.0                                  | 22.9                       |
| WA       | 23.2                    | 21.5                     | 22.6                                  | 16.7                       |
| Tas      | 45.4                    | 42.1                     | 44.3                                  | 32.8                       |
| National | 25.0                    | 25.0                     | 25.0                                  | 18.5                       |

#### 4.1.2 Excellence target for universities with 25% or more of undergraduate students being drawn from interstate

Where a university has more than 25% of their undergraduate students drawn from other States/Territories, the low SES excellence target will be set based on the State adjusted excellence levels (Table 5) weighted by the proportion of domestic undergraduate students enrolled from each State/Territory. This will affect the excellence target for The Australian Catholic University, The Australian National University, Canberra University and Charles Darwin University. The excellence targets for these universities are outlined below:

**Table 6: Excellence targets accounting for catchment areas of universities**

| University                         | Revised low SES excellence target |
|------------------------------------|-----------------------------------|
| Australian Catholic University     | 17.6%                             |
| The Australian National University | 8.5%                              |
| University of Canberra             | 8.1%                              |
| Charles Darwin University          | 16.9%                             |

The data sources for this performance indicator can be found in Tables 1, 2 and 3 for the determination of baseline performance and assessment of performance and data coverage definitions for this indicator are shown in Table 4.

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## 5. Funding allocation

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The Performance Funding for a university is determined under Part 2-2 of HESA (Facilitation Funding component) and Part 2-3 of HESA (Reward Funding component). The calculation methodology is:

### 5.1 Calculation of Facilitation Funding allocation

The Facilitation Funding available in a given year is comprised of:

- a) a '*Basic Grant Amount component*' – the Facilitation Funding to be distributed based on provider shares of the Basic Grant Amount of the same year (section 33-5 of HESA). In 2011 this component is \$91,010,141. This amount will be indexed in later years in accordance with the method set out in Part 5-6 of HESA; and
- b) a '*Grants to Support National Institutes specified in the Other Grants Guidelines component*' – the Facilitation Funding to be distributed based on provider shares of the Grants to Support National Institutes specified in the Other Grants Guidelines amount of the same year (item 4 of subsection 41-10 of HESA). In 2011 this component is \$3,229,213. This amount will be indexed in later years in accordance with the method set out in Part 5-6 of HESA.

The 'Basic Grant Amounts' referred to herein is *the estimated Basic Grant Amount to be distributed in a given year as at 1 January of that year.*

The 'Grants to Support National Institutes specified in Other Grants Guidelines amount' referred to herein is the *estimated Grants to Support National Institutes specified in Other Grants Guidelines amount to be distributed in a given year as at 1 January of that year*.

The formulas for calculating each university's Facilitation Funding payment in a given year is:

c) The Basic Grant Amount component

$$funding_{fac.CGS,i} = A \times \frac{B_i}{\sum_{k=1}^n B_k}$$

Where:

- $funding_{fac.CGS,i}$  = potential Basic Grant Amount component payable to provider  $i$  in a given year based on the provider's share of the Basic Grant Amount of that year
- $A$  = The entire amount of the Basic Grant Amount component that is to be distributed in a given year (see clause 12.10 of the Commonwealth Grant Scheme Guidelines)
- $B_i$  = the Basic Grant Amount to be distributed in a given year to provider  $i$
- $B_k$  = the Basic Grant Amount to be distributed in a given year to provider  $k$  (where  $k$  is all providers that meet the criteria set out in 12.5 of the Commonwealth Grant Scheme Guidelines)
- $\sum_{k=1}^n B_k$  = the total Basic Grant Amount to be distributed in a given year to all providers that meet the requirements of clause 12.5 of the Commonwealth Grant Scheme Guidelines

d) The Grants to Support National Institutes specified in the Other Grants Guidelines component

$$funding_{fac.NI,i} = C \times \frac{D_i}{\sum_{k=1}^n D_k}$$

Where:

- $funding_{fac.NI,i}$  = potential Grants to Support National Institutes specified in the Other Grants Guidelines component payable to provider  $i$  in a given year based on the provider's share of the Grants to Support National Institutes specified in Other Grants Guidelines of that year
- $C$  = The entire amount of the Grants to Support National Institutes specified in the Other Grants Guidelines component that is to be distributed in a given year (see clause 12.10 of the Commonwealth Grant Scheme Guidelines)
- $D_i$  = the Grants to Support National Institutes specified in the Other Grants Guidelines to be distributed in a given year to provider  $i$

- $D_k$  = the Grants to Support National Institutes specified in the Other Grants Guidelines to be distributed in a given year to provider  $k$  (where  $k$  is all providers that meet the requirements of clause 12.5 of the Commonwealth Grant Scheme Guidelines)
- $\sum_{k=1}^n D_k$  = the total Grants to Support National Institutes specified in the Other Grants Guidelines to be distributed in a given year to all providers that meet the criteria set out in 12.5 of the Commonwealth Grant Scheme Guidelines

## 5.2 Calculation of Reward Funding allocation

### Performance Category 1: Participation and Social Inclusion

- 5.2.1 Performance indicator 1A: Proportion of domestic undergraduates who are from a low SES background (low SES target).

The amount of Reward Funding payable to a university in 2012 and 2013 for achievement of the low SES excellence or improvement target agreed in the university's 2011-2013 Compact will be calculated in accordance with the following formula:

$$funding_{lowSES,i} = wt_{lowSES} \times E \times \frac{B_i}{\sum_{k=1}^n B_k}$$

- $funding_{lowSES,i}$  = potential Reward Funding available to university  $i$  in a given year for the low SES target
- $wt_{lowSES}$  = proportion of overall Reward Funding allocated to the low SES target
- $E$  = the Reward Funding available for achievement of performance targets in a given year
- $B_i$  = the Basic Grant Amount the previous grant year for university  $i$
- $B_k$  = the Basic Grant Amount the previous grant year for university  $k$  (where  $k$  is all universities participating in Performance Funding during the 2011-13 Compact period)
- $\sum_{k=1}^n B_k$  = the total Basic Grant Amount the previous grant year for all universities participating in Performance Funding during the 2011-13 Compact period

- 5.2.2 Performance indicator 1B: Proportion of domestic undergraduates who are from an other underrepresented group (other underrepresented group target)

The amount of Reward Funding payable to a university in 2012 and 2013 for achievement of the other underrepresented group improvement target agreed in the university's 2011-2013 Compact will be calculated in accordance with the following formula:

$$funding_{OUG,i} = wt_{OUG} \times E \times \frac{B_i}{\sum_{k=1}^n B_k}$$

Where:

$funding_{OUG,i}$  = potential Reward Funding available to university  $i$  in a given year for the other underrepresented group target

$wt_{OUG}$  = proportion of overall Reward Funding allocated to the other underrepresented group target

$E$  = the Reward Funding available for achievement of performance targets in a given year

$B_i$  = the Basic Grant Amount the previous grant year for university  $i$

$B_k$  = the Basic Grant Amount the previous grant year for university  $k$  (where  $k$  is all universities participating in Performance Funding during the 2011-13 Compact period)

$\sum_{k=1}^n B_k$  = the total Basic Grant Amount the previous grant year for all universities participating in Performance Funding during the 2011-13 Compact period

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## Appendix 1: Variable descriptions

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**Table A.1: Variable descriptions for Higher Education Student Data Collection data**

| <b>Variable</b> | <b>Variable name</b>              | <b>Variable description</b>  |
|-----------------|-----------------------------------|--|
| E306            | University code                   | Uniquely identifies the University   |
| E310            | Course of study type code         | Indicates the type of higher education course  |
| E313            | Student identification code       | Uniquely identifies the student within the University and remains constant from year to year   |
| E 320           | Home location                     | The Australian postcode or overseas country code of a student's permanent home address   |
| E331            | Concurrent/Major course indicator | Indicates whether the student is concurrently enrolled in more than one higher education course within the university and, if so, whether the course is the major course or a minor course |
| E358            | Citizen/Resident indicator        | Indicates a student's citizenship and residence status   |