![Innovative Research Universities]

Response to

**Sustainable Research Excellence (SRE) in Universities
Issues Paper: A Model for Discussion**

August 2009

Sustainable Research Excellence (SRE) in Universities

Issues Paper: Discussion Questions

The responses below are framed largely with reference to the SRE model proposed in the Issues Paper. In the Attachment, we outline an alternate SRE model for consideration.

1. Should there be two thresholds for the 80% of SRE funding? Should there be fewer?

> IRU supports two thresholds.
>
> It is critically important for SRE funding to support the development of a world-class higher education system in Australia within which all universities, including those in regional areas, are able to pursue excellence in research in their identified areas of focus.
>
> Threshold 1 (Incentive) funding will ensure that smaller universities, with restricted economies of scale, will have the incentive to continue to participate in research in their targeted areas and aspire to achieving Threshold 2.
>
> Threshold 2 (Excellence) funding will support universities with a greater level of research activity by reducing the current gap in funding for the full costs of research.

2. Should access to Threshold 1 (Incentive) funding be based on the relative share for each university of the first $2.5 million of competitive grant income? If not, should a different threshold be set if so, what should this be?

> Yes - $2.5 million (unindexed) represents a sensible threshold to set.
>
> Based on 2007 research income data, there are no universities in the IRU in the range of $2.5 million to $5.0 million for ACG funding. Based on trend data, the threshold would need to be increased to at least $5.0 million to make any substantial difference to the outcomes. IRU believes that raising the threshold to this higher level would significantly reduce the incentive for smaller universities to pursue excellence in research and this would not be in the national interest.
>
> It is important that the data on ACG income collected in the HERDC, and used for the purpose of the SRE funding model, be fit for purpose and free of anomalies. To this end, IRU considers it important that the current issues relating to the treatment of MRIs and joint ventures be appropriately addressed and resolved. In addition, consideration needs to be given to whether all the current entries on the Australian Competitive Grants Register are appropriate for inclusion (e.g. there is some lack of transparency in relation to processes and funding flows associated with CSIRO Flagships programs).

3. Should access to Threshold 2 (Excellence) funding be based on exceeding $2.5 million in competitive grant income? If not, should a different threshold be set and if so, what should this be?

> It is critical that excellence funding be used for that purpose. The current threshold is sufficiently low as to encourage all institutions to pursue excellence.

4. Do these cost categories provide a suitable means for grouping indirect costs?

> IRU understands that the Department has separate processes in place to give this and related questions further consideration. IRU would appreciate the opportunity to provide comments and/or input into this process as appropriate.
>
> The cost categories outlined provide a suitable means for grouping indirect costs. We agree with the conclusion reached by the Allen Consulting Group project, however, that the 'Other costs associated with research' category requires substantially greater specification and should include: consumables and office supplies; ICT costs; and, library costs.
>
> IRU holds the strong view that size of institution alone (as measured for example by total ACG income or 'research intensity') has a non-causative relationship with indirect costs and thereby does not represent an appropriate method for capturing variability in indirect costs. Variability in indirect costs is more likely to be associated with the field of research (or ERA cluster).

5. Are the identified types of allowable indirect costs appropriate? If not, what other indirect costs should be included? What indirect costs should be excluded?

> Yes. The identified allowable indirect costs appear appropriate, although not exhaustive.
>
> The methodology for measuring indirect costs should be kept as simple as possible and, to the extent possible, be based on existing available financial data, rather than requiring significant additional effort.
>
> IRU notes that the accounting treatment of building depreciation and borrowing costs and differences in the application of accounting standards across universities may distort the comparability of measures of indirect costs across the sector.
>
> More detailed guidance needs to be provided to ensure consistency and fairness, without burdening the sector with expensive and overly complex requirements.
>
> Indirect cost information provided by individual universities must be auditable.

6. Are staff surveys an appropriate means of attributing staff time? If not, what other approaches might be adopted that would achieve robust results whilst minimising the impost on individuals involved?

> The applicability of the staff survey approach, based on experience in the UK and US in attributing staff time and subsequent indirect costs of research, remains to be demonstrated in the Australian context.
>
> If staff surveys, and resulting FTE drivers, are to be a central component of the indirect costs of research methodology, the data collection process needs to be standardised to maximise data integrity and consistency. The methodology needs to include appropriate safeguards, including further analysis of clear outliers, to promote data integrity.
>
> Clear definitions of the staff to be included in the survey require development (see Question 8). Staff survey data must be auditable.

7. How frequently and over what timeframes should staff time allocation be conducted?

> The recent staff survey conducted as a trial within the Allen Consulting Group project may need to be refined in light of experience and could then be readministered to inform the SRE process.
>
> IRU suggests that a cycle of every three years, over a two-three week period covering both a teaching period and a non-teaching period, would be appropriate for further staff time allocations to be conducted.

8. Is the use of FTE drivers adequate for all indirect costs? If not, what other indirect cost drivers might be adopted and in what circumstances? Would these produce more accurate results?

> While accepting the pragmatic need to use FTE drivers, IRU stresses the importance of ensuring that the calculation is underpinned by a very robust definition of the staff to be included and excluded. Such a definition needs to address:
>
> (a) the constitution of FTEs with respect to adjunct staff, teaching only staff and related persons
>
> (b) differences in classification of some categories of research 'workers' as academic staff or as general staff by different universities
>
> (c) criteria to be applied in determining if a staff member can be deemed as participating in an ACG grant
>
> (d) the treatment of staff in controlled entities and joint ventures.
>
> Without a sufficiently robust definition, the integrity of the indirect cost methodology cannot be assured.

9. Is the number of weighted publications an adequate proxy measure of research quality until the implementation of ERA outcomes has been tested?

> Yes. IRU supports this proposal as 'weighted publications', while a quantitative indicator, represents the most readily available indicator of research quality and is therefore the most viable alternative.
>
> Research income is already a key input to other block grants and publications provide an additional and alternative measure of quality.

10. Will the new formula give sufficient emphasis to end-user research?

> Yes.
>
> The ERA process and consequently the SRE model will send a loud signal to academic staff that traditional measures of research quality (such as ACG income and publications in refereed journals) should be their focus. For this reason, IRU supports the new JRE formula as it may assist in safeguarding against an academic withdrawal from collaborative research.

11. Are there other strategies that should be adopted to encourage and support collaborative research activities between universities, industry and end-users, beyond those supported by competitive grants?

> After consideration, the IRU believes this issue requires further evaluation. We note that the Commonwealth is establishing a commercialisation institute but believe that this type of body is not relevant for the translation of non-commercial research into the public domain. More attention needs to be given to this issue.

12. Should JRE have the same objectives as IGS i.e. to support the general fabric of universities' research and research training?

> Yes.
>
> IRU strongly supports the view that universities should retain the flexibility to apply JRE funds as they see appropriate given their strategic plans for research.
>
> The proposal in the Compacts discussion paper that universities will detail in their compacts how they will utilise research block grants to support their strategic objectives for research and the Government's policy objectives is relevant here. IRU anticipates that the intention will be to provide a high level outline of investment priorities, rather than any detailed account of specific funding allocations. Institutional flexibility should also be provided with respect to SRE funding.

13. Further comments or suggestions on the SRE model.

IRU welcomes the recognition by the Minister and the Department of the current gap between funding for ACG research and the real costs in conducting that research. It acknowledges the support of the Minister in securing additional funding for the university sector in the May Federal Budget.

IRU wishes to voice its concerns, however, about the complexity and administrative burden associated with the proposed SRE model.

Cumulative administrative and resource burden of ACG+ERA+SRE for less than full indirect cost funding

The government has repeatedly acknowledged that universities have not been appropriately funded for the research undertaken through Australian Competitive Grants, resulting in a significant financial impost on universities. The Allen Consulting Group project commissioned by DIISR has confirmed that Australia has been underfunding research compared with best international practice. In addition, SRE funding is unlikely to meet the real demonstrated indirect costs of research anytime in the foreseeable future, if ever.

Universities already invest substantial resources and effort in participating in the ACG process. Rigorous quality criteria are then applied by subject area experts, with only 20-25% of applications successfully attracting funding. The quality of research in ACGs should be taken as a given by government.

The additional funding available through the SRE program should be targeted at ensuring that research which meets the stringent criteria for ACG funding is appropriately funded by government. We do not believe that the need to provide further evidence of quality or indirect costs is justified. In this context, it is important that the SRE process does not impose unnecessary additional administrative burdens on universities (especially given that the SRE model itself will eventually rely on ERA outcomes which carry their own administrative burden). While care needs to be taken to ensure that Transparent Cost Allocation methodologies provide national consistency and fairness, the level of additional effort required needs to be minimised with provision for robust approximation techniques rather than the absolute precision required for accounting systems and standards.

An alternative SRE model

In Attachment 1, IRU puts forward an alternative SRE model for consideration.

Links between SRE and Compacts

IRU also questions how the formulaic approach of SRE and the intent of mission-based compacts will interface. It is to be hoped that no university, as a result of this formulaic approach, has its research and research training profile frozen at a point in time as a result of historical research outcomes or performance. Past performance may not reflect future strategic direction in growth areas which may possess clear potential for the downstream achievement of excellence, not yet reflected in the ERA assessment.

Allocation of one-off payment to develop system

The compliance costs involved in establishing systems to support the SRE process are not directly proportional to the scale of the ACG research activity in an institution, though there is likely to be some relationship between scale and compliance cost. IRU suggests that $10 million of the $20 million available be distributed equally across all universities in receipt of ACG funding, with the remaining $10 million distributed in proportion to ACG income.

ALTERNATIVE SRE MODEL

Identified problems with the SRE Model

To be consistent with the policy intent of the SRE funding, it is required that the funding algorithm takes account of:

- Verified variations in the cost of research across the sector (Cost Factor)

- An evaluation of the quality of the research output across the sector (Excellence Factor)

In the model presented in the SRE Issues paper:

- The Cost Factor derived from analytical work by the Allen Consulting Group in which the indirect costs of research at each institute are required to be derived in 5 categories[1]. Each of these are then moderated by an FTE formula (Number of FTE staff involved in ACGs * the fraction of time spent by these staff on ACGs / Total FTE staff) and summed.

- The Excellence Factor derives from the institutional overall performance in ERA (not further specified).

We submit that there are significant potential problems with the derivation or application of both of these Factors.

Cost Factor:

A fundamental problem with the Allen Cost Factor is its use of FTE as a common cost driver. Both in the numerator and in the denominator there are immediate and future problems with the FTE definitions. The number of "FTE staff involved in ACGs" has not previously had any currency apart from the choice of a team necessary to support the grant application and the research plan. The Allen Cost Factor will introduce a driver to increase the number of staff associated with an ACG. Similarly it will introduce a driver to decrease the Total FTE. Both of these are readily variable and already differ across the sector due to different categorization of research assistants and postdoctoral fellows.

Excellence Factor:

Whereas the manner in which a single Factor will be derived from ERA is not specified, the critical issue for application to SRE as presented in the Issues Paper is that it allows for only a single Factor. Thus, to take an extreme case, a university that excels in research captured in only one ERA cluster and which devotes considerable infrastructure funding to the research under that cluster to the exclusion of most other research, could have its ERA multiplier reduced to a level which would be problematic for further investment in the area in which it excels. Indeed, the very derivation of a single ERA performance Factor, which the SRE Issues Paper requires, is somewhat antithetical to the ERA principles which aim to avoid institutional league tables. An alternative is to keep the performance on each ERA Cluster as separate factors.

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[1] Non-academic salaries and on-costs; Costs of maintaining physical university infrastructure; Depreciation on buildings and equipment; Finance, borrowing and insurance costs; Other costs associated with research.

A hybrid solution: activities cost mix model

A hybrid solution that combines simple Cost and Performance Factors is to develop a cost mix research profile for each university based on the eight ERA clusters. Empirical transparent cost allocation analysis will be required as to the classification of clusters as, say, high, medium and low cost groupings (alternatively, it could be established whether the total value of national pool of ACG income by cluster may provide a proxy indicator of the costs supported by such grants by indicating the underlying higher cost of research built into grants for some clusters). Basically, the mix of ACG income by cluster category will form the base for calculating a university's indirect cost mix. These values are then moderated by two factors:

- A Cost Factor (Cluster Weight)

- A Performance Factor (ERA performance in each cluster).

The SRE funding formula then becomes:

$$\Sigma^8_1 \ (\text{Cluster}_x \ \text{ACG}) \times (\text{Cluster}_x \ \text{weight}) \times (\text{Cluster}_x \ \text{Institutional ERA Performance})$$

The Cluster weights would be established through a transparent cost allocation exercise and applied equally to all institutions. The ERA performance score moderates the outcome as a proxy for excellence, which in turn reflects the expected cost structures (e.g. investment) of an institution in the disciplines of that cluster.

The cost allocation exercise that is required to establish the weightings for each cluster can be derived through a project involving selected faculties or schools across the sector (at least 2-3 per institute); or by asking each institute to undertake a structured analysis that assigns its research support funding across the clusters using the categories suggested in the SRE Issues Paper. As staff time is a component of such an analysis it is appropriate that further surveys are undertaken. However, these should be targeted rather than universal and could also involve analysis of workload model data which are collected at many institutes.