The Process for Determining Sustainable Research Excellence (SRE) Scheme Grant Amounts - 2016 Allocations

Purpose

This document sets out the process by which the Department of Education and Training (Education) determines grant amounts for eligible Higher Education Providers (HEPs) under the Sustainable Research Excellence for Universities (SRE) scheme.

The SRE scheme is a Research Block Grant (RBG) program under which grants can be paid for the purpose of supporting research by, and the research capability of, HEPs. The SRE Grant is made to support HEP's Australian competitive grant (ACG) research. The process for determining SRE grant amounts is set out in this document.

Guidelines for the SRE Scheme are contained in Chapter 1 of the *Other Grant Guidelines (Research) 2012* and can be downloaded from the Federal Register of Legislative Instruments at:

www.comlaw.gov.au/Details/F2012L02010

The SRE final grant amount is comprised of three elements, each of which has a funding amount set as a percentage of the SRE total funding for the Grant Year:

- SRE Base (20%)
- SRE Threshold 1 (13%)
- SRE Threshold 2 (67%)

Definition of a Performance Index

Within RBG programs, a performance index is a list of the relative performances of a group of HEPs defined for a particular purpose. The relative performances of HEPs are expressed as a percentage of the sum of all performances within the defined group. Each HEP's percentage is known as a share.

SRE Base Element

All HEPs are eligible for inclusion in the Base performance index.

Education determines each HEP's SRE Base grant amount on the basis of the Base performance index applied against the SRE Base funding amount for the grant year.

The Base performance index is the relative share of Category 1 ACG research income.

Category 1 ACG research income data is the average of the most recent two years for which data is available and is sourced from the Higher Education Research Data Collection (HERDC). The income data is unweighted.

For all HEPs, their allocation for the SRE Base element is rounded down to the next whole dollar. The difference between a HEP's rounded and unrounded SRE Base grant amount is the remainder. The sum of all remainders is the unallocated dollars of the SRE Base element.

Each HEP's remainder is ranked in descending order based on its remainder's closeness to one. One dollar is assigned to each HEP according to its ranking until all unallocated dollars are exhausted.

Each HEP's SRE Base grant amount is equal to the rounded SRE Base allocation plus any whole dollars assigned.

SRE Threshold 1 Element

Only HEPs that agree to comply with the Excellence in Research for Australia (ERA) process and to participate in the Transparent Costing (TC) process, including compliance with requirements set out in the *Other Grants Guidelines (Research) 2012*, are eligible for funding under the Threshold 1 element of SRE.

Education determines each HEP's SRE Threshold 1 grant amount on the basis of the Threshold 1 performance index applied against the SRE Threshold 1 funding amount for the grant year

The Threshold 1 performance index is the relative share of the Category 1 ACG research income up to and including the Threshold 1 threshold of $2,500,000.

Category 1 ACG research income data is the average of the most recent two years for which data is available and is sourced from the HERDC. The income data is unweighted.

For all eligible HEPs, their allocation for the SRE Threshold 1 element is rounded down to the next whole dollar. The difference between a HEP's rounded and unrounded SRE Threshold 1 amount is the remainder. The sum of all remainders is the unallocated dollars of the SRE Threshold 1 element.

Each HEP's remainder is ranked in descending order based on its remainder's closeness to one. One dollar is assigned to each HEP according to its ranking until all unallocated dollars are exhausted.

Each HEP's SRE Threshold 1 grant amount is equal to the rounded SRE Threshold 1 allocation plus any whole dollars assigned.

SRE Threshold 2 Element

Only HEPs that agree to comply with the Excellence in Research for Australia (ERA) process and to participate in the Transparent Costing (TC) process, including compliance with requirements set out in the *Other Grants Guidelines (Research) 2012*, are eligible for funding under the Threshold 2 element of SRE.

From 2012, the Threshold 2 element of SRE has two pools: the Transparent Costing (TC) pool and the Excellence Index (Ei) pool.

The SRE Threshold 2 funding amount is split between the two pools:

- TC pool is equal to 40% of the Threshold 2 funding amount.
- Ei pool is equal to 60% of the Threshold 2 funding amount.

Education determines each HEP's SRE Threshold 2 grant amount by summing each HEP's final Threshold 2 TC grant amount and final Threshold 2 Ei grant amount.

Threshold 2 Transparent Costing (TC) Pool

There are five key steps to determining each HEP's final Threshold 2 TC grant amount.

1. Initial Threshold 2 TC grant amount

Education determines each HEP's initial Threshold 2 TC grant amount on the basis of the initial Threshold 2 performance index applied against the Threshold 2 TC pool funding amount for the grant year.

The initial Threshold 2 performance index is the relative share of the Category 1 ACG research income data in excess of the threshold of $2,500,000.

Category 1 ACG research income data is the average of the most recent two years for which data is available and is sourced from the HERDC. The income data is unweighted.

For all HEPs, their initial Threshold 2 TC grant amount remains unrounded.

2. TC ratio

Each HEP is assigned a TC ratio.

The TC ratio uses cents expended on indirect costs of ACG research for each ACG dollar of income won. This is calculated by applying the proportion of a HEP's ACG research effort to total academic effort to the total allowable indirect costs claimed, dividing by total Category 1 ACG research income and then multiplying by 100.

Each HEP's proportion of ACG research effort to total academic effort is calculated by multiplying the average ACG FTE spent on ACG research by the total target population, then dividing by the greater of total academic FTE or target population FTE.

Average FTE spent on ACG research is the proportion of time reported as spent on ACG research for each valid respondent converted to FTE totalled for the HEP then divided by the total number of valid survey responses from the HEP.

ACG effort uses information supplied by each HEP from the staff hours survey (conducted between May and July 2011) and is sourced from the Research Hours Data Collection.

The target population and target population FTE is at the time of conducting the staff hours survey and is sourced from the Research Hours Data Collection.

The target population is defined as all employees of a HEP whose continuing or fixed-term employment contract contains a research component. This includes all academic staff with a research only or teaching and research classification and any professional or general staff for whom 'undertaking research' forms a material part of their contract. 'Undertaking research' is defined in the *Instructions for the Administration of the Staff Hours Survey 2011*.

Academic FTE is the year which matches the most recent Research Hours Data Collection and is sourced from the Higher Education Staff Collection.

Academic staff is defined as those identified under Element 509 of the Higher Education Staff Collection as having an Academic classification level code (Level A and above, all increments) with respect to their current duties in the Full-Time and Fractional Full-Time Staff input file. The staff data is unweighted.

The total allowable indirect costs claimed is disaggregated from audited financial statements and is sourced from the most recent SRE Financial Data Collection.

Category 1 ACG research income is the most recent year for which data is available and is sourced from the HERDC. The income data is unweighted.

3. TC moderator

A TC moderator is calculated for all HEPs eligible for Threshold 2 funding, i.e. those with an initial Threshold 2 performance index greater than zero (0.00%).

Using statistical methods, the TC ratio for Threshold 2 eligible HEPs is divided into quartiles. Assignment to a band is determined by these quartiles. Band A equates to the first quartile, Band B to the second and third quartiles and Band C to the fourth quartile.

For the first quartile, Band A, the TC moderator is set to the lower cap of 1.0. In the fourth quartile, Band C, for those HEPs with markedly higher TC ratios when compared to others (1.5 standard deviations above the mathematical mean of all Threshold 2 eligible TC ratios) the TC moderator is set to the upper cap of 1.2. Individual TC moderator scores are then calculated for all remaining uncapped HEPs in Band B and Band C by adding 1 to the TC multiplier.

The TC multiplier is a scaled individual rate for those uncapped Band B and Band C HEPs. The TC multiplier is calculated based on their proportion of the total of all uncapped Threshold 2 eligible TC ratios applied to 0.2 and rescaled by multiplying by 10.

4. Moderated Threshold 2 TC grant amount

The moderated Threshold 2 TC grant amount is calculated by multiplying the initial Threshold 2 TC grant amount by the TC moderator.

For all HEPs, their moderated Threshold 2 TC grant amount remains unrounded.

5. Final Threshold 2 TC grant amount

Education determines each HEP's final Threshold 2 TC grant amount on the basis of the TC performance index applied against the Threshold 2 TC pool funding amount for 2012.

The TC performance index is based on the relative share of moderated Threshold 2 TC grant amounts.

For all HEPs, their unrounded Threshold 2 TC grant amount is rounded down to the next whole dollar. The difference between a HEP's rounded and unrounded SRE Threshold 2 TC amount is the remainder. The sum of all remainders is the unallocated dollars of the SRE Threshold 2 TC pool.

Each HEP's remainder is ranked in descending order based on closeness to one. One dollar is assigned to each HEP according to its ranking until all unallocated dollars are exhausted.

Each HEP's SRE Threshold 2 TC final grant amount is equal to the rounded SRE Threshold 2 TC allocation plus any whole dollars assigned.

Threshold 2 Excellence Index (Ei) Pool

There are four key steps to determining each HEP's final Threshold 2 Ei grant amount.

1. Initial Threshold 2 Ei grant amount

Education determines each HEP's initial Threshold 2 Ei grant amount on the basis of the initial Threshold 2 performance index applied against the Threshold 2 Ei pool funding amount for the grant year.

The initial Threshold 2 performance index is the relative share of the Category 1 ACG research income data in excess of the Threshold 1 threshold of $2,500,000.

Category 1 ACG research income data is the average of the most recent two years for which data is available and is sourced from the HERDC. The income data is unweighted.

For all HEPs, their initial Threshold 2 Ei grant amount remains unrounded.

2. Ei Score

Each HEP is assigned an Ei score.

The Ei score is calculated for each HEP by creating a composite score of assessed 4-digit Fields of Research (FoR). Each FoR's contribution to the Ei Score is the Weighted Rating applied to the Volume Measure. The HEPs Ei Score is the sum of each FoR's contribution to the Ei Score.

Weighted Ratings are calculated for the HEP by replacing each Excellence in Research for Australia (ERA) rating of 3 or above with the relevant weighting. ERA Ratings for each FoR are weighted such that the ratings 5, 4, 3, 2, 1 have a weighting of 7, 3, 1, 0, 0, respectively. A Weighted Rating is not applicable to FoRs that did not meet the output threshold for assessment.

The Volume Measure for each FoR is the relative internal proportion of assessed research outputs as a share of the total outputs assessed for the HEP. FoRs that did not meet the output threshold for assessment have a volume measure of zero (0.00%), and do not form part of the calculation.

The Field of Research (FoR) codes are defined under the Australian Bureau of Statistic's (ABS) Australian and New Zealand Standard Research Classification (ANZSRC).

FoR data is from the 2015 ERA exercise and was provided to the department by the Australian Research Council (ARC).

3. Moderated Threshold 2 Ei grant amount

The moderated Threshold 2 Ei grant amount is calculated by multiplying the initial Threshold 2 Ei grant amount by the Ei score.

For all HEPs, their moderated Threshold 2 Ei grant amount remains unrounded.

4. Final Threshold 2 Ei grant amount

Education determines each HEP's final Threshold 2 Ei grant amount on the basis of the Ei performance index applied against the Threshold 2 Ei pool funding amount for the grant year.

The Ei performance index is based on the relative share of moderated Threshold 2 Ei grant amounts.

For all HEPs, their unrounded Threshold 2 Ei grant amount is rounded down to the next whole dollar. The difference between a HEP's rounded and unrounded SRE Threshold 2 Ei amount is the remainder. The sum of all remainders is the unallocated dollars of the SRE Threshold 2 Ei pool.

Each HEP's remainder is ranked in descending order based on closeness to one. One dollar is assigned to each HEP according to its ranking until all unallocated dollars are exhausted.

Each HEP's SRE Threshold 2 Ei final grant amount is equal to the rounded SRE Threshold 2 Ei allocation plus any whole dollars assigned.

Calculate SRE Final Grant Amount

The SRE grant amount is calculated by summing the rounded SRE elements as follows:

SRE grant amount = Base amount + Threshold 1 amount + Threshold 2 amount.