29 June 2010

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Sustainable Research Excellence: Consultation Paper on Options for Threshold 2 Funding

Dear Anne,

Thank you for the opportunity to comment on the possible mechanisms that will be used to allocate Threshold 2 funding under the Sustainable Research Excellence (SRE). Our submission is attached.

In relation to the key issues raised by the consultation paper, our submission sets out the reasons why we:

1. strongly favour the use of unique transparent cost rates for each university from 2011 onwards;
2. believe the compact process should be used to discuss, negotiate and confirm the final TC rate for each university;
3. support the principle of ERA outcomes being used to drive funding at some point in the future, but not from 2012 until it is clear that the sector has confidence in the ERA methodology and process;
4. believe that, if ERA results are to be used to drive SRE funding, then they should moderate Australian Competitive Grant income performance by discipline with a weighting that ensures that significantly more funding flows to those institutions with the strongest ERA performance; and
5. would like to see performance funding for the research component of compacts brought into alignment with the arrangements for teaching and learning.

We look forward to discussing these and related issues with the Department over coming weeks.

Yours sincerely

(signature withheld for electronic publication)

Professor Jill Trewhella
Deputy Vice Chancellor (Research)
University of Sydney comments on the DIISR Sustainable Research Excellence (SRE) Consultation Paper on Options for Threshold 2 Funding, May 2010

Consultation Questions for 2011

How should TC results be incorporated in the SRE funding allocation methodology; ie. as either a fixed or variable rate (high, medium, low) depending on the type of university?

The University of Sydney has a strong preference for option three – calculation of a unique rate for each University. Such an approach would align with the Government’s desire for greater differentiation of research missions within the sector and would be consistent with international approaches. This is the only option that can appropriately reflect the costs associated with diversity of missions, disciplines, scale and geographic location. We endorse the statement in the paper that this option would not lead to inefficiency given that SRE will only fund a proportion of indirect costs relating to ACG research. Strong incentives will remain for universities to reduce the component of indirect costs that are not supported by SRE.

However, if an option involving funding bands for universities with different profiles is preferred, we would propose a hybrid of options two and three, which would specify a greater number of cost bands than three based on the differences between universities.

How should the compacts process be used to confirm each university’s final SRE grant amounts?

For 2011 the compacts process should be used to negotiate the final TC rate for each university.

As 2011 is the first year the compact process will be fully implemented we recognise that it will not be possible to assess performance against objectives. Instead the negotiations should focus on the justification of the TC rate to be applied to each institution, taking into account factors affecting its indirect costs and its research strategies for the period 2011-13.

We have previously indicated our strong support for a transparent compacts negotiation process. The final process selected must have transparency as a primary objective.

Consultation Questions for 2012

Should a fixed percentage of Threshold 2 funding be based on TC results (TC Pool) as well as on ERA results (ERA Pool)?

In principle we support this proposal and recognise that the Government has committed to using the outcomes of ERA to drive at least some SRE funding. However, we believe it is still premature for the Government to be committing to use ERA data for funding purposes from 2012. We continue to have major concerns about the robustness of the ERA methodology and process. The ERA trial has revealed very significant anomalies for some 4-digit FoR code defined disciplines and it is to be expected that less evident anomalies exist for most other disciplines. Also, flaws in the journal ranking list may well impact unevenly and result in further anomalies in the discipline level outcomes. How the data are combined to provide a number or numbers to be used in the calculation of the Threshold 2 funding will determine the effect of these anomalies and both the methodology and its consequences will take some time to analyse.

We therefore urge the department to delay committing to use ERA data to drive SRE funding from 2012 until it is clear that the sector has confidence in both the ERA process and the way that ERA data will be used to determine funding outcomes.
If so, what percentages of Threshold 2 funding should apply for each pool?

Until there is agreement that ERA data are robust and reliable across disciplines and institutions, 100% of SRE Threshold 2 funding should continue to be allocated to the TC pool for distribution according to the transitional arrangements agreed for 2011.

Longer term, the retrospective nature of the ERA process and the long lead times between exercises (assuming there will be more than one) mean that relying on ERA outcomes alone to drive funding is likely to result in a funding model that is unresponsive to changes in institutional performance.

Once the sector has confidence in the ERA process, ERA outcomes should be moderated by ACG income (see below) with a weighting that ensures that significantly more funding flows to those institutions with the strongest ERA performance. This situation would serve to drive differentiation by ensuring that available funding is targeted to support those institutions assessed as having the highest quality research. Further, once the sector has confidence in the ERA process, consideration should be given to using ERA data to drive the allocation of RTS funding to ensure that funding for research training is targeted to support those institutions assessed as having the highest quality research in particular fields.

What volume measure should be utilised for ERA results to drive ERA pool funding (eg. Research outputs volume measure, staff volume measure, or the numbers of ERA units of evaluation that meet the low volume threshold)?

We strongly recommend that ERA results be applied as a moderator of ACG income relative to each discipline since it provides a measure related to the quality, scale, and cost of the research being undertaken. The alternative volume measures indicated above are not optimal for the following reasons:

- Quantity of research outputs submitted to ERA: this is a measure of activity, not quality or impact and is contrary to the philosophy underpinning ERA
- The number of staff submitted as part of ERA: as for quantity of research outputs
- Number of units of evaluation submitted to ERA: this is the least satisfactory measure given the issues in ERA methodology identified above re prescribed FOR codes for journals that have led to some disciplines being excluded on the minimum threshold requirement

Should a discipline specific cost factor also be included in the ERA pool?

If ACG income is used as the moderator then this has already factored in discipline differences. The current high cost/low cost differentiator for disciplines (used in the JRE formula for domestic HDR load and in RTS for completions) is very problematic. It has not been updated for some time and does not reflect changes to disciplines costs over time. It should not be used. However, noting that the RAE does moderate funding according to disciplinary cost differentials, we are open to considering this issue further.

How should the compacts process be used to confirm each university’s final SRE grant amount?

As indicated above, from 2012 we believe the compacts process should be used to negotiate the final SRE grant amount based on analysis of each institution’s indirect cost profile, its mission and specific objectives for its research effort.

Longer term, in the interest of policy coherence and consistency, performance funding for research component of compacts should be brought into alignment with the performance funding arrangement for teaching. This would be best achieved by establishing a separate pool of performance funding to be allocated to institutions based on the achievement of mission-specific targets for research agreed with the Government through the compact negotiations.