Consultation on Options for the Inclusion of ERA in SRE Funding Model Allocation

Dear Mark,

Thank you for the opportunity to respond to your paper “SRE consultation paper on options for the inclusion of ERA in SRE funding model allocation”, which seeks input on the design principles for the inclusion of ERA in the allocation of SRE funding in 2012.

We are encouraged by DIISR’s desire to consult extensively and collaborate with the sector in the formulation of important policy initiatives, such as the allocation of SRE and the review of JRE and HERDC Category 3. This consultative approach will result in a stronger, more coherent and responsive research block grants system. We found the DIISR-hosted workshop sessions in Sydney on the 15th September 2011 particularly helpful in exploring the issues to formulate and clarify our positions.

Our specific responses to the consultation questions listed at 4.5 of your document are attached in appendix 1. Before you consider these responses, however, I would like to raise a number of more general issues that provide context for our thinking about this current consultation and other consultations recently conducted by DIISR: the reliability of the 2010 ERA data; consistent policy/funding drivers across the research block grant schemes; and, the continuing development of the proposed models.

Reliability of the 2010 ERA Data

The Sustained Research Excellence (SRE) initiative injects a significant amount of new funding into the sector with potentially game-changing consequences. It is critical that the SRE funding allocation model drives behaviours that achieve the aims of the scheme without generating unintended, and possibly perverse, behaviours.

We note the Minister’s strong commitment to using ERA in public policy generally and specifically to include ERA in the allocation of research funding formulae such as the RTS and SRE to drive research excellence in the HEPs1. While recognising the value of this commitment to fostering research excellence, and supporting the use of ERA outputs to drive some portion of the SRE in future, we caution against the Government moving too quickly to use ERA performance to drive large amounts of research block funding before it is clear that the sector has confidence in the integrity of the ERA methodology as mechanism for both assessing the comparative quality of research and as a driver of funding.

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1. Extract from Minister Carr’s speech at the Universities Australia (UA) conference in March this year: http://minister.innovation.gov.au/Carr/Speeches/Pages/UNIVERSITIESAUSTRALIAHIGHEREDUCATIONCONFERENCE.aspx
It is also widely recognised across the sector that the 2010 ERA methodology was preliminary and subsequent analysis has identified flaws and anomalies. Consequently, we are not yet convinced that the 2010 ERA data has the confidence of large parts of the sector as a measure of research excellence. While the ARC is taking steps to address some of these methodological issues in order to improve the 2012 ERA exercise, we do not believe that 2010 data are robust enough to be relied upon to drive large amounts of funding from 2012.

If, following this consultation, DIISR determines that the 2010 ERA will factor in the 2012 SRE allocation, then the ERA data should be introduced initially as a relatively small portion of the Threshold 2 Pool (at most 50:50) and the weightings of ERA ratings used should be flat (3:3:3 for 5:4:3) or at most gently linear (5:4:3 for 5:4:3). This would establish research excellence as a driver of the SRE allocation and yet minimise unintended consequences of using 2010 ERA outcomes in the allocation model. Having introduced the ERA into the formulae in this way over subsequent years the balance of TC/Ei and the ERA Rating weightings can be modified to enable stronger incentives for excellence by increasing the factoring of ERA performance from 2013 using the more robust ERA 2012 outcomes. We note that such an approach would be consistent with the approach to be taken in the UK with its Research Assessment Exercise where changes were made to the weightings over time as the Government and became more familiar and confident with the validity of the assessments.

We would like to revisit the use of ERA in the SRE allocation mechanism when the 2012 ERA data are available for assessment.

**Consistent policy/funding drivers across the research block grant schemes**

The Review of Category 3 Income and the JRE is occurring alongside consideration of reforms to the allocation formulae for the Research Training Scheme (RTS) and the Sustainable Research Excellence (SRE) initiative. While these reviews are happening separately, we feel that it is critical that the end result is a research block funding framework that has the various components working coherently together to support research and research training environments that are competitive with the best in the world.

If ERA performance is to drive a proportion of SRE funding from 2012 then, notwithstanding the reservations expressed above about the robustness of 2010 ERA data, we suggest that consideration should be given to replacing weighted publications with the SRE Excellence Index as a driver in the five block funding schemes that currently rely on weighted publications. This will ensure a degree of consistency between the various schemes and remove as a funding driver a performance indicator that has been widely recognised as encouraging quantity as opposed to quality of research outputs.

**The continuing development of the proposed models**

Our selection of Model 3 as our current preferred model is based on DIISR’s comments on the advantages and disadvantages of the different models, supplemented by preliminary in-house modelling and analysis. We are very interested in being kept informed as DIISR’s modelling of options for the inclusion of ERA in the SRE funding model allocation evolves. We have advised the ARC separately that we give it permission to release any ERA data required by DIISR to support the continuing development and refinement of these funding models.

Finally, Sydney broadly agrees with the position taken in the submission from the Group of Eight (Go8).

We look forward to contributing to the consultations on the preferred model developed from this consultation scheduled for October/early November.

Yours sincerely,

[Signature]

Professor Jill Trewhella
Deputy Vice-Chancellor (Research)
DIISR Consultation: Using ERA in SRE Allocation.

Appendix 1.

DIISR: Options for the Inclusion of ERA in the SRE Allocation Model.

CONSULTATION QUESTIONS

Consultation Question 1: Relative balance between cost and excellence
What initial balance should be given to sustaining research effort and supporting excellence in the 2012 SRE model, i.e. what proportion of Threshold 2 should be based on ERA outcomes and what proportion should be based on TC?

\[ TC/Ei = 50/50 \text{ maximum weighting for 2012, with a greater weighting for TC deferred until after ERA 2012} \]

The University of Sydney recognises the Government’s commitment to drive research excellence across the HEP sector.

It is widely recognised, however, that the 2010 ERA methodology was preliminary, open to game-playing, and that subsequent analysis has identified flaws and anomalies. Consequently, we are not convinced that there is sufficient confidence across the sector in the 2010 ERA data for it to be used to drive a large proportion of SRE funding in 2012. We note that the changes made to the 2012 ERA data collection are intended to deliver more robust and reliable data about the comparative quality of research undertaken by staff and affiliates of different institutions.

We are confident that many methodological issues that undermined the 2010 ERA are in the process of being addressed in the 2012 ERA and we anticipate that the second exercise will provide a more set of data.

Until the 2012 ERA data are available and validated, the 2010 ERA data should be initially introduced as a relatively small portion of the Threshold 2 Pool (TC/E1 = 50/maximum50).

Having introduced the ERA into the formulae in this way, the balance of TC/Ei and the strength of ERA Rating weightings can be modified to provide incentives for excellence by increasing the factoring of ERA performance from 2013 when the 2012 ERA outcomes are available.

Consultation Question 2: Two pools or a single line formula?
Should Threshold 2 have: (a) two separate pools, a TC moderated pool and an Ei moderated pool or (b) be allocated using the same single line formula applied in the 2011 allocations, but replacing the previous Pf moderator with one derived from ERA?

(See 1. above).

Separate Transparent Costing (TC) and Research Excellence index (Ei) pools are preferable. This demonstrates the balance between TC/Ei more clearly than the single line option, and is in keeping with DIISR’s goal of keeping SRE allocation formulae simple and transparent.
Consultation Question 3: Different eligibility thresholds for different pools
In applying the Ei moderator, if two pools are used, should the threshold be $2.5 million in ACG funding, or should the Ei moderator have a separate threshold based on ERA performance? If you think that the thresholds should be different, what should the threshold for the Ei moderator be?

We recognise that the existence of the Threshold 1 SRE pool gives institutions with a relatively small amount of ACG funding a relatively large cents in the dollar share of SRE funding. Nevertheless, we can see no good reason for excluding any provider from the Ei pool that has participated in ERA and met the ARC's thresholds for assessment in at least the number of fields of research that are required for registration as an 'University' in Australia under the National Protocols for Higher Education Approval Processes (for ERA 2010) and the TEQSA Provider Category Standards (for ERA 2012). The judicious selection of a minimum ERA rating for funding and the use weightings in the Ei formula will ensure that the SRE excellence funding component is allocated to institutions fairly.

Consultation Question 4: Which ERA ratings should be applied?
Which ratings could appropriately be used in an Ei moderator as part of calculating the allocation of Threshold 2 funding?

(See 1. Above)

ERA Ratings 5, 4 and 3.

SRE is part of a suite of DIISR reforms that aims to “increase the number of research groups performing at world-class levels; and support high quality universities that can deliver work class research that drives and supports innovation now and in the future.” SRE's specific focus is to “support and build research excellence; and secure the sustainability of research over the longer term.”

To achieve these objectives SRE funding must only be allocated for research that is at world class or better – that is, ERA Ratings 5, 4 and 3.

Consultation Question 5: Should weightings be applied to ERA ratings when creating an ERA index?
If weightings are applied to ERA ratings when creating an ERA index, what weights are appropriate? (note this will also form part of further consultation/confirmation once an appropriate model or models have been identified)

(See 1. Above)

Until the 2012 ERA data are available and validated, the 2010 ERA data should be introduced only as a relatively small portion of the Threshold 2 Pool (50/50) and a flat weighting of ERA ratings should be used (3:3:3 for 5:4:3) or at most gently linear (5:4:3 for 5:4:3)

This would establish research excellence as a driver of the SRE allocation, while minimising unintended consequences of using 2010 ERA outcomes.

Having introduced the ERA into the formulae in this way, the balance of TC/Ei and the ERA Rating weightings can be modified to enable stronger incentives for excellence by increasing the factoring of ERA performance from 2013 using the more robust ERA 2012 outcomes.
Consultation Question 6: Applying a volume measure – Choosing a model
Do you have a preferred volume measure (volume measures 1-5 in Section 4.3 above) or a preferred model (models 1 to 4 in Section 4.4 above) based on the principles of SRE and ERA? Are there other volume measures that should be considered?

**Model 3. Proportion of excellent research outputs (Internal Volume Measures).**

Based on our current understanding of the models, Sydney supports the continued development and refinement of Model 3, Internal proportion of excellent research outputs.

By operating without disadvantaging universities by size (small or large) or research concentration (fewer or more UoEs) while rewarding universities with a high proportion of their research outputs in UoE that achieved high levels of excellence we believe this model will drive the appropriate behaviours across the sector.

Unlike models 1 and 2, model 3 does not penalise certain measures of research productivity, such as ACG income and weighted publications, which currently feature in formula for block grants allocations which encourage the sector to increase output regardless of quality. We address the issue of potentially confused funding drivers in the block grant funding schemes in the covering letter.

The consultation paper does not specify a volume measure to convert the Model 3 Ei measure into an allocation to the individual universities. We note that DIISR will need to use data on outputs collected for ERA at FOR level to calculate the Ei for this model, and would suggest the appropriate volume measures should be number of assessed outputs.

To this end we have advised the ARC that we authorise it to release to DIISR any data required by it to model the funding outcomes that would result from the adoption of model 3.

Consultation Question 7: Other comments
Please provide any other comments about the inclusion of ERA in the SRE allocation model.

**COMMENT:** The retrospective nature of the ERA data is a serious limitation to its use as a barometer of excellence.

- The retrospective nature of the ERA process and the long lead times between exercises mean that relying on ERA outcomes to drive funding is likely to result in a funding model that is unresponsive to changes in institutional performance.
- It is not clear when, if indeed if, the ERA collection will be run again after ERA 2012. The 2012 ERA will include data from Jan 2005 to December 2010. If the 2012 ERA data are used to allocate SRE for 5 years before the next collection (for allocations from 2013 to 2017), the allocations will be effectively based on data some of which will be up to 12 years old.