

**AUSTRALIAN RESEARCH
COUNCIL**

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AUSTRALIAN RESEARCH COUNCIL

Section 1: Agency overview and resources

1.1 STRATEGIC DIRECTION STATEMENT

The Australian Research Council (ARC) is a statutory agency established under the *Australian Research Council Act 2001*.

The ARC's mission is to deliver policy and programmes that advance Australian research and innovation globally and benefit the community.

The mission aligns with the ARC outcome statement which is growth of knowledge and innovation through managing research funding schemes, measuring research excellence and providing advice.

The ARC manages the National Competitive Grants Programme (NCGP), a significant component of the Australian Government's investment in research and innovation. Through the NCGP, the ARC supports the highest quality fundamental and applied research, research training and collaboration or partnerships and infrastructure. Funding is allocated through national competition across all research disciplines.

The ARC administers Excellence in Research for Australia (ERA). ERA aims to identify and promote excellence across the full spectrum of research activity, including both basic and applied research, within Australian higher education institutions. ERA reflects the Government's commitment to a transparent and streamlined approach to research evaluation. It assesses research quality using a combination of indicators and expert review by committees comprising experienced, internationally recognised experts. ERA details areas within disciplines at Australian institutions that are internationally competitive and points to emerging research areas where there are opportunities for development and further investment. The effective and comprehensive evaluation of Australia's research effort is crucial to the understanding of the national research landscape.

The ARC has four significant measures in the 2014–15 Budget:

- Future Fellowships scheme: The scheme promotes research in areas of critical national importance by giving outstanding mid-career researchers incentives to conduct their research in Australia. This measure is to continue the scheme on an ongoing basis of 100 new fellowships per year for four years each.

- **Tropical Health and Medicine:** This proposal is to provide funding over four years to support the expansion of the Australian Institute of Tropical Health and Medicine at James Cook University. It will provide facilities and research funding for an institute focused on tropical diseases and illnesses that have only been sporadically investigated to date.
- **Boosting Dementia Research:** This proposal, in consultation with the National Health and Medical Research Council, is to ensure that dementia research takes into account the social, economic and cultural impacts and complex consequences of dementia. Research supported under this initiative will translate into better treatments, care and services to dementia sufferers, carers and their communities. A dedicated research effort is needed to help accelerate progress towards finding a cure for dementia as it is a multi-dimensional problem not just confined to the health of the dementia patients.
- **Antarctic and Southern Ocean Research:** This proposal is to provide funding over three years to establish an ARC Antarctic Gateway Partnership at the University of Tasmania. The ARC Gateway will be responsible for coordinating collaborative research relating to the Antarctic and Southern Ocean conducted by the Australian Antarctic Division, the CSIRO and the University of Tasmania.

1.2 AGENCY RESOURCE STATEMENT

Table 1.1 shows the total resources from all sources. The table summarises how resources will be applied by outcome and by administered and departmental classification.

Table 1.1: Australian Research Council resource statement Budget estimates for 2014–15 as at Budget May 2014

	Estimate of prior ⁺ year amounts available in 2014-15 \$'000	Proposed at Budget ⁼ 2014-15 \$'000	Total estimate 2014-15 \$'000	Actual available appropriation 2013-14 \$'000
Ordinary annual services¹				
Departmental appropriation				
Prior year departmental appropriation ²	6,793	-	6,793	-
Departmental appropriation ³	-	21,025	21,025	20,609
s31 Relevant agency receipts ⁴	-	-	-	116
Total	6,793	21,025	27,818	20,724
Administered expenses				
Outcome 1	-	5,397	5,397	3,111
Total	-	5,397	5,397	3,111
Total ordinary annual services	A 6,793	26,422	33,215	23,835
Departmental non-operating				
Equity injections	-	2,605	2,605	1,861
Total	-	2,605	2,605	1,861
Total other services	B -	2,605	2,605	1,861
Total available annual appropriations	6,793	29,027	35,820	25,696
Special appropriations limited by amount				
Special Appropriation ARC Act 2001	-	875,642	875,642	886,859
Total special appropriations	C -	875,642	875,642	886,859
Total appropriations excluding Special Accounts	6,793	904,669	911,462	912,555
Special Accounts				
Opening balance ⁵	6,667	-	6,667	16,664
Appropriation receipts				
- other agencies ⁶	-	-	-	-
Total Special Account	D 6,667	-	6,667	16,664
Total resourcing				
A+B+C+D	13,460	904,669	918,129	929,219
Less appropriations drawn from special appropriations above and credited to special accounts	-	-	-	(9,997)
Total net resourcing for ARC	13,460	904,669	918,129	919,222

¹ Appropriation Bill (No.1) 2014–15.

² Estimated adjusted balance carried forward from previous year.

³ Includes an amount of \$1.264m in 2014–15 for the Departmental Capital Budget (refer to table 3.2.5 for further details). For accounting purposes this amount has been designated as 'contributions by owners'.

⁴ s31 Relevant Agency receipts – estimate.

⁵ Estimated opening balance for special accounts (less 'Special Public Money' held in accounts like Other Trust Monies accounts (OTM), Services for other Government and Non-agency Bodies accounts (SOG), or Services for Other Entities and Trust Monies Special accounts (SOETM)). For further information on special accounts see table 3.1.2.

⁶ Appropriation receipts from other agencies credited to ARC's special accounts.

Reader note: All figures are GST exclusive.

1.3 BUDGET MEASURES

Budget measures in Part 1 relating to the ARC are detailed in Budget Paper No. 2 and are summarised below.

Table 1.2: Agency 2014–15 Budget measures

Part 1: Measures announced since the 2013–14 MYEFO

	Programme	2013-14 \$'000	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000
Expense measures						
Efficiency Dividend - a further temporary increase of 0.25 per cent						
		-	-	-	-	-
		-	-	-	-	-
	All	-	(49)	(98)	(147)	(145)
	Total	-	(49)	(98)	(147)	(145)
Investing in research excellence - Australian Institute of Tropical Health and Medicine						
		15,000	21,000	3,000	3,000	-
		-	-	-	-	-
	1.2	15,000	21,000	3,000	3,000	-
	Total	15,000	21,000	3,000	3,000	-
Boosting Dementia Research ¹						
		-	8,000	9,000	9,000	-
		-	-	-	-	-
	1.1	-	8,000	9,000	9,000	-
	Total	-	8,000	9,000	9,000	-
Investing in research excellence - mid career Future Fellow ships scheme - continuation						
		-	1,060	22,408	44,993	68,902
		-	549	545	542	548
	1.1	-	1,060	22,408	44,993	68,902
	Total	-	1,609	22,953	45,535	69,450
Investing in research excellence - Antarctic Gateway Partnership ²						
		-	-	-	-	-
		-	-	-	-	-
	1.2	-	-	-	-	-
	Total	-	-	-	-	-
A sustainable Higher Education system - Australian Research Council - efficiency dividend						
		-	-	(25,999)	(24,064)	(24,882)
		-	-	-	-	-
	All	-	-	(25,999)	(24,064)	(24,882)
	Total	-	-	(25,999)	(24,064)	(24,882)
Expanding opportunity - Higher Education Indexation - revised arrangements						
		-	-	1,128	(1,342)	(4,600)
		-	-	-	-	-
	1.1&1.2	-	-	1,128	(1,342)	(4,600)
	Total	-	-	1,128	(1,342)	(4,600)

Table 1.2: Agency 2014–15 Budget measures

Part 1: Measures announced since the 2013–14 MYEFO (continued)

	Programme	2013-14 \$'000	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000
Total expense measures						
Administered		15,000	30,060	9,537	31,587	39,420
Departmental		-	500	447	395	403
Total		15,000	30,560	9,984	31,982	39,823
Capital measures						
Efficiency Dividend - a further temporary increase of 0.25 per cent						
Administered capital		-	-	-	-	-
Departmental capital	All	-	(3)	(6)	(10)	(10)
Total		-	(3)	(6)	(10)	(10)
Total capital measures						
Administered		-	-	-	-	-
Departmental		-	(3)	(6)	(10)	(10)
Total		-	(3)	(6)	(10)	(10)

Prepared on a Government Finance Statistics (fiscal) basis.

¹ The lead agency for this measure is the National Health and Medical Research Council. The full measure description and package details appear in Budget Paper No. 2 under the Department of Health portfolio.² This measure has no impact on the ARC's underlying cash.

Part 2: MYEFO measures not previously reported in a portfolio statement

	Programme	2013-14 \$'000	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000
Measure						
Australian Research Council Centres of Excellence - reduction in funding						
Administered expenses	1.2	(3,300)	(3,300)	(3,400)	-	-
Departmental expenses		-	-	-	-	-
Total		(3,300)	(3,300)	(3,400)	-	-
Australian Research Council — redirection						
Administered expenses	1.1&1.2	(15,800)	(30,800)	(28,700)	(27,700)	-
Departmental expenses		-	-	-	-	-
Total		(15,800)	(30,800)	(28,700)	(27,700)	-
Type 1 Juvenile Diabetes - clinical research						
Administered expenses	1.1	7,000	7,000	7,000	7,000	7,000
Departmental expenses		-	-	-	-	-
Total		7,000	7,000	7,000	7,000	7,000
Public Services efficiencies						
Administered expenses		-	-	-	-	-
Departmental expenses		(5)	(26)	(57)	(79)	-
Total		(5)	(26)	(57)	(79)	-
Reforms to the APS management and efficient procurement of agency software						
Administered expenses		-	-	-	-	-
Departmental expenses		(25)	(25)	(25)	-	-
Total		(25)	(25)	(25)	-	-
Total measures						
Administered		(12,100)	(27,100)	(25,100)	(20,700)	7,000
Departmental		(30)	(51)	(82)	(79)	-
Total		(12,130)	(27,151)	(25,182)	(20,779)	7,000

Prepared on a Government Finance Statistics (fiscal) basis.

Section 2: Outcomes and planned performance

2.1 OUTCOMES AND PERFORMANCE INFORMATION

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programmes are the primary vehicle by which Government agencies achieve the intended results of their outcome statements. Agencies are required to identify the programmes which contribute to Government outcomes over the Budget and forward years.

Each outcome is described below together with its related programmes, specifying the performance indicators and targets used to assess and monitor the performance of Australian Research Council in achieving Government outcomes.

Outcome 1: Growth of knowledge and innovation through managing research funding schemes, measuring research excellence and providing advice

Outcome 1 strategy

The ARC will pursue the results outlined in its outcome (that is, 'growth of knowledge and innovation' in Australia) by:

- supporting excellence in research and building Australia's research capacity through administration of the National Competitive Grants Programme (NCGP)
- measuring research excellence at Australia's universities through administration of Excellence in Research for Australia (ERA)
- advancing Australian research and innovation by providing informed expert advice on research matters to Government.

The NCGP supports two main streams of research funding – Discovery and Linkage (programme 1.1 and programme 1.2). Through Discovery, funding is available for investigator-initiated research projects and research fellowships and awards. Through Linkage, funding is available for research projects, infrastructure, hubs and centres that foster collaboration among researchers and research teams in Australia and internationally, and with industry and other end-users of research. Together, the ARC funding schemes:

- support the generation of new ideas, knowledge and breakthrough discoveries

- provide incentives for researchers to partner with each other, business, the public sector and community organisations to undertake research in areas of importance to the end-users of research outcomes
- build the scale and focus of research in areas of national priority
- support the development of highly trained research personnel.

Funding under both the Discovery and Linkage programmes is awarded on the basis of a competitive peer review process.

The ARC evaluates the excellence of research undertaken in Australia's universities. ERA evaluates research quality using a combination of indicators and expert review by committees comprising experienced, internationally recognised experts. It identifies excellence across the full spectrum of research activities and compares Australia's university research effort against international benchmarks. The data generated through the ERA process provides a unique resource for informing evidence-based policy on higher education and publicly funded research across government.

The ARC provides advice to the Government on research matters. In working to achieve its outcome the ARC participates in whole-of-government policy dialogue and engages with its stakeholders across the national and international research and innovation systems.

Outcome expense statement

Table 2.1 provides an overview of the total expenses for Outcome 1 by programme.

Table 2.1: Budgeted expenses for Outcome 1

Outcome 1: Growth of knowledge and innovation through managing research funding schemes, measuring research excellence and providing advice	2013-14 Estimated actual expenses \$'000	2014-15 Estimated expenses \$'000
Programme 1.1: Discovery - Research and Research Training		
Administered expenses		
Ordinary annual services (Appropriation Bill No. 1)	1,044	1,060
Special appropriations	557,688	549,879
Departmental expenses		
Departmental appropriation ¹	7,483	7,468
Expenses not requiring appropriation in the Budget year ²	1,062	1,186
Total for Programme 1.1	567,277	559,593
Programme 1.2: Linkage - Cross Sector Research Partnerships		
Administered expenses		
Ordinary annual services (Appropriation Bill No. 1)	1,067	1,067
Special appropriations	319,174	319,096
Special Accounts	9,997	6,667
Departmental expenses		
Departmental appropriation ¹	9,523	9,504
Expenses not requiring appropriation in the Budget year ²	1,062	1,186
Total for Programme 1.2	340,823	337,520
Programme 1.3: Excellence in Research for Australia		
Administered expenses		
Ordinary annual services (Appropriation Bill No. 1)	1,000	3,270
Departmental expenses		
Departmental appropriation ¹	2,740	2,789
Expenses not requiring appropriation in the Budget year ²	1,062	1,186
Total for Programme 1.3	4,802	7,245
Outcome 1 Totals by appropriation type		
Administered expenses		
Ordinary annual services (Appropriation Bill No. 1)	3,111	5,397
Special appropriations	876,862	868,975
Special Accounts	9,997	6,667
Departmental expenses		
Departmental appropriation ¹	19,746	19,761
Expenses not requiring appropriation in the Budget year ²	3,186	3,558
Total expenses for Outcome 1	912,902	904,358
	2013-14	2014-15
Average Staffing Level (number)	120	120

¹ Departmental Appropriation combines 'Ordinary annual services (Appropriation Bill No. 1)' and 'Revenue from independent sources (s31)'.

² Expenses not requiring appropriation in the Budget year is made up of depreciation expense, amortisation expense and audit fees.

Note: Departmental appropriation splits and totals area indicative estimates and may change in the course of the budget year as government priorities change.

Programme 1.1: Discovery – research and research training
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Programme objective

The Discovery programme supports the growth of Australia’s research and innovation capacity, which generates new knowledge resulting in the development of new technologies, products and ideas, the creation of jobs, economic growth and an enhanced quality of life in Australia.

Specifically the objectives of the Discovery programme are to deliver outcomes of benefit to Australia and build Australia’s research capacity through support for:

- excellent, internationally competitive research by individuals and teams
- research training and career opportunities for the best Australian and international researchers
- international collaboration
- research in priority areas.

The Discovery programme schemes providing funding (new and/or ongoing) in 2014–15 are Australian Laureate Fellowships, Discovery Early Career Researcher Award, Discovery Indigenous, Discovery Projects, Future Fellowships and Super Science Fellowships.

Programme expenses

Administered and departmental expenses for the Discovery programme are expected to remain relatively stable over the forward estimates.

Programme expenses 1.1 Discovery

	2013-14 Estimated actual \$'000	2014-15 Budget \$'000	2015-16 Forw ard estimate \$'000	2016-17 Forw ard estimate \$'000	2017-18 Forw ard estimate \$'000
Annual administered expenses:					
Administered item	1,044	1,060	1,087	1,115	1,143
Special Appropriations:					
<i>Australian Research Council Act 2001</i>	557,688	549,879	517,807	494,325	521,580
Annual departmental expenses:					
Programme support	7,483	7,468	7,392	7,338	7,231
Expenses not requiring appropriation in the Budget year ¹	1,062	1,186	1,359	1,528	1,564
Total programme expenses	567,277	559,593	527,645	504,307	531,519

¹ Expenses not requiring appropriation in the Budget year is made up of depreciation expense, amortisation expense and audit fees.

Programme 1.1 deliverables

Through the Discovery programme schemes, the ARC delivers funding to individual research projects and research fellowships and awards. Funding is awarded to administering organisations on the basis of competitive peer review processes involving Australian and international experts.

Specific deliverables are as follows:

- Deliverable: Provision of grants
 - Measure: Number of applications
 - Measure: Number of new grants
 - Measure: Total value of new grants
 - Measure: Number of researchers supported (investigators named in new grants)
- Deliverable: Management of grants
 - Measure: Number of new and ongoing grants
 - Measure: Total value of new and ongoing grants
- Deliverable: Strategic policy advice on research and research training.

Programme 1.1 key performance indicators

The performance of the Discovery programme in meeting its objectives is indicated by the key performance indicators (KPIs) identified in the table below. The KPIs focus on long-term outcomes as well as medium-term outcomes relating to building Australia’s research capacity, for example, generating knowledge and supporting research training and careers, international collaboration and contributions in areas of priority.

Key performance indicators	2014–15 target
Outcomes of benefit to Australia	
Evidence of economic, environmental, social, health and/or cultural benefits to Australia arising from Discovery research	Document 10 case studies demonstrating benefits arising from the research
Proportion of completed Discovery research projects that report their objectives were met	> 95 per cent
Building Australia’s research capacity – knowledge generation	
Share of the outputs of Discovery research that are rated at world standard or above	> 80 per cent
Building Australia’s research capacity – research training and careers	
Winning of prestigious prizes and awards by Discovery researchers	-

Key performance indicators	2014–15 target
Proportion of Discovery researchers who are early-career researchers	> 20 per cent
Proportion of completed Discovery research projects that report the research supported higher degree by research students	Benchmark and establish baseline for measurement
Proportion of fellowships and awards that are awarded to international applicants (foreign nationals and returning Australians)	> 20 per cent
Building Australia’s research capacity – international collaboration	
Proportion of Discovery research projects that involve international collaboration	> 65 per cent
Building Australia’s research capacity – research in areas of priority	
Evidence of economic, environmental, social, health and/or cultural benefits to Australia arising from Discovery research in areas of priority	Document five case studies demonstrating benefits arising from the research
Proportion of Discovery research projects in areas of priority	> 85 per cent

Programme 1.2: Linkage – cross-sector research partnerships

Programme objective

The Linkage programme supports the growth of research partnerships between university-based researchers and researchers in other sectors in Australia and overseas that generate new knowledge, technologies and innovations.

The objectives of the Linkage programme are to deliver outcomes of benefit to Australia and build Australia's research and innovation capacity through support for:

- collaborative research between university-based researchers and researchers in other sectors
- research training and career opportunities that enable Australian and international researchers and research students to work with industry and other end-users
- research in priority areas.

The Linkage programme schemes providing funding (new and/or ongoing) in 2014–15 are ARC Centres of Excellence (Centres), co-funded research centres, Industrial Transformation Research Hubs (ITRH), Industrial Transformation Training Centres (ITTC), Linkage Infrastructure, Equipment and Facilities (LIEF), Linkage Learned Academies Special Projects, Linkage Projects (LP) and Special Research Initiatives.

Programme expenses

Administered and departmental expenses for the Linkage programme are expected to remain relatively stable over the forward estimates.

Programme expenses 1.2 for Linkage

	2013-14 Estimated actual \$'000	2014-15 Budget \$'000	2015-16 Forw ard estimate \$'000	2016-17 Forw ard estimate \$'000	2017-18 Forw ard estimate \$'000
Annual administered expenses:					
Administered item	1,067	1,067	1,032	1,033	1,032
Special Appropriations:					
<i>Australian Research Council Act 2001</i>	319,174	319,096	277,285	265,402	271,671
ARC Research Endow ment Account	9,997	6,667	-	-	-
Annual departmental expenses:					
Programme support	9,523	9,504	9,408	9,340	9,204
Expenses not requiring appropriation in the Budget year ¹	1,062	1,186	1,359	1,528	1,564
Total programme expenses	340,823	337,520	289,084	277,303	283,471

¹ Expenses not requiring appropriation in the Budget year is made up of depreciation expense, amortisation expense and audit fees.

Programme 1.2 deliverables

Through the Linkage programme schemes, the ARC delivers funding for individual research projects, infrastructure, hubs and centres. Funding is awarded to administering organisations on the basis of competitive peer review processes involving Australian and international experts.

Specific deliverables are:

- Deliverable: Provision of grants
 - Measure: Number of applications
 - Measure: Number of new grants
 - Measure: Total value of new grants
 - Measure: Number of researchers supported (investigators named in new grants)
- Deliverable: Management of grants
 - Measure: Number of new and ongoing grants
 - Measure: Total value of new and ongoing grants
- Deliverable: Strategic policy advice on research partnerships.

Programme 1.2 key performance indicators

The performance of the Linkage programme in meeting its objectives is indicated by the key performance indicators (KPIs) identified in the table below. The KPIs focus on long-term outcomes as well as medium-term outcomes relating to building Australia's research capacity, for example, generating knowledge and supporting research partnerships, research training and careers, and contributions in areas of priority.

Key performance indicators	2014–15 target
Outcomes arising from ARC-supported research are of a high quality and produce national benefits	
Evidence of economic, environmental, social, health and/or cultural benefits to Australia arising from Linkage research	Document five case studies demonstrating benefits arising from the research
Proportion of completed Linkage research projects that report their objectives were met	> 95 per cent
Building Australia's research capacity – knowledge generation	
Share of the outputs of Linkage research that are rated at world standard or above	> 50 per cent

Key performance indicators	2014–15 target
Building Australia's research capacity – collaboration	
Average number of organisations involved in Linkage research projects	Centres: > 10 ITRP: > 5 LIEF: > 3 LP: > 2
Proportion of partner organisations that rate the research partnerships supported through Linkage research projects as beneficial or very beneficial	LP: > 90 per cent
Financial commitment (cash and in-kind) of partner organisations to Linkage research projects (for every dollar contributed by the ARC)	ITRH: > \$1.50 LP: > \$1.90
Proportion of Linkage funding allocated to research projects that involve collaboration with industry	Benchmark and establish baseline for measurement
Proportion of Linkage research projects that involve international collaboration	Centres: 100 per cent ITRH: > 80 per cent ITTC: > 70 per cent LIEF: > 40 per cent LP: > 40 per cent
Building Australia's research capacity – research training and careers	
Proportion of Linkage researchers who are early-career researchers	> 12 per cent
Proportion of completed Linkage research projects that report the research supported higher degree by research students	Benchmark and establish baseline for measurement
Support for research training in areas of strategic importance to Australian industries	ITTC: At least 10 higher degree by research and three postdoctoral positions funded per centre
Building Australia's research capacity – research in areas of priority	
Evidence of economic, environmental, social, health and/or cultural benefits to Australia arising from Linkage research in areas of priority	Document three case studies demonstrating benefits arising from the research
Proportion of Linkage research projects in areas of priority	> 90 per cent

Programme 1.3: Excellence in Research for Australia

Programme objective

Excellence in Research for Australia (ERA) aims to:

- establish an evaluation framework that gives government, industry, business and the wider community assurance of the excellence of research conducted in Australian higher education institutions
- provide a national stocktake of discipline level areas of research strength and areas where there is opportunity for development in Australian higher education institutions
- identify excellence across the full spectrum of research performance
- identify emerging research areas and opportunities for further development
- allow for comparisons of research in Australia, nationally and internationally, for all discipline areas.

ERA aims to improve research quality, assist with universities' strategic planning and inform Government policy by identifying university research strengths and disciplines that are internationally competitive and highlighting areas where there are opportunities for further development and investment.

Programme expenses

Administered and departmental expenses reflect the funding for the ongoing administration of ERA.

Programme expenses 1.3 Excellence in Research for Australia

	2013-14 Estimated actual \$'000	2014-15 Budget \$'000	2015-16 Forw ard estimate \$'000	2016-17 Forw ard estimate \$'000	2017-18 Forw ard estimate \$'000
Annual administered expenses:					
Administered item	1,000	3,270	3,038	2,999	2,942
Annual departmental expenses:					
Programme support	2,740	2,789	2,839	2,890	2,942
Expenses not requiring appropriation in the Budget year ¹	1,062	1,186	1,359	1,528	1,564
Total programme expenses	4,802	7,245	7,236	7,417	7,448

¹ Expenses not requiring appropriation in the Budget year is made up of depreciation expense, amortisation expense and audit fees.

Programme 1.3 deliverables

Through ERA, the ARC delivers regular evaluations of the excellence of research undertaken in Australia’s universities. The evaluation is conducted using a combination of indicators and expert review by committees comprising experienced, internationally recognised experts. The ARC also provides ongoing policy advice on broader research matters related to the measurement of research quality. The next ERA evaluation will be conducted in 2015 with outcomes reported at the conclusion of the process.

Specific deliverables for 2014–15 are:

- Deliverable: development of the ERA 2015 evaluation
- Deliverable: strategic policy advice on broad research matters related to the measurement of research quality.

Programme 1.3 key performance indicators

The performance of ERA in meeting its objectives is indicated by the key performance indicators (KPIs) identified in the table below. The ARC has conducted two full ERA evaluations (in 2010 and 2012 respectively) with a third evaluation scheduled for 2015. The KPIs used in the 2013–14 Portfolio Budget Statements have been revised to reflect the status of ERA during 2014–15, that is, the KPIs are aimed at measuring the effectiveness of the ERA evaluations undertaken to date, as well as the effectiveness of processes established to support implementation of the 2015 evaluation. A report against the 2013–14 KPIs will be provided in the ARC’s 2013–14 annual report.

Key performance indicators	2014–15 target
Establishment of a high-quality evaluation framework	
Evidence of stakeholder confidence in the ERA framework as indicated by use of ERA data and results to inform policy advice across government and the strategic research agendas of higher education institutions	Feedback from stakeholders demonstrates confidence in ERA
Successful implementation of the 2015 ERA evaluation	
Achievement of milestones for delivery of ERA 2015	All milestones met
Sector contribution to development of ERA 2015	Sector is provided with opportunities to contribute

Evaluations for Outcome 1

The following evaluations are planned for 2014–15:

Special Research Initiatives scheme

An internal review of the Special Research Initiatives scheme is scheduled to be undertaken in 2014–15. The Special Research Initiatives funding scheme provides the ARC with the capability to take a proactive approach, in consultation with research organisations, professional associations and peak higher education bodies, to identifying and funding new or emerging areas of research. The evaluation will focus on the continuing alignment of the scheme with changing wider strategic priorities and best-practice design and delivery as well as the integration of the scheme's objectives with those of other National Competitive Grants Programme (NCGP) funding schemes.

ARC Centres of Excellence

An internal review of the ARC Centres of Excellence scheme is also scheduled to be undertaken in 2014–15. ARC Centres of Excellence are large-scale focuses of expertise within which researchers work to maintain and develop Australia's international standing in research areas of national priority. They involve a high degree of collaboration which allows the complementary research resources of universities, publicly funded research organisations, other research bodies, governments and businesses to be concentrated to support outstanding research. Performance reviews of individual centres have been conducted at regular intervals over the scheme's life. This evaluation will be a comprehensive assessment of the performance of the funding scheme as a whole. The scheme's effectiveness in meeting programme objectives and the needs of stakeholders and delivering positive benefits will be a focus of the evaluation, along with its continuing alignment with wider strategic priorities and best-practice design and delivery. Efficiency of administration and integration of programme design and delivery will also be assessed.

The following evaluation commenced in 2013–14:

International collaborative research links

Support for international collaborative research links is a cross-cutting theme across NCGP funding schemes. Since 2008, NCGP funding support for these collaborative links has been provided under mainstream schemes, in particular Discovery Projects and Fellowships, as the purpose-specific Linkage International scheme has been discontinued. The evaluation will assess the nature and extent of international collaborative links supported by the NCGP. It will also seek to assess the extent to which these have been sensitive to changes in recent years in the way in which international collaborative links are funded under the NCGP.

Section 3: Explanatory tables and budgeted financial statements

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of agency finances for the 2014–15 budget year. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and programme expenses, movements in administered funds, special accounts and Government Indigenous expenditure.

3.1 EXPLANATORY TABLES

3.1.1 Movement of administered funds between years

The ARC has had no movement of administered funds therefore table 3.1.1 is not presented.

3.1.2 Special accounts

Special accounts provide a means to set aside and record amounts used for specified purposes. Special accounts can be created by a Finance Minister's Determination under the FMA Act or under separate enabling legislation. Table 3.1.2 shows the expected additions (receipts) and reductions (payments) for each account used by the ARC.

Table 3.1.2: Estimates of special account flows and balances

		Opening balance 2014-15 2013-14	Receipts 2014-15 2013-14	Payments 2014-15 2013-14	Adjustments 2014-15 2013-14	Closing balance 2014-15 2013-14
	Outcome	\$'000	\$'000	\$'000	\$'000	\$'000
ARC Research Endowment						-
Account - <i>Australian Research Council Act 2001</i> (A)	1	6,667 16,664	- -	(6,667) (9,997)	- -	- 6,667
Total Special Accounts 2014-15 Budget estimate		6,667	-	(6,667)	-	-
<i>Total Special Accounts 2013-14 estimated actual</i>		16,664	-	(9,997)	-	6,667

(A) = Administered

3.1.3 Australian Government Indigenous expenditure

Table 3.1.3: Australian Government Indigenous expenditure (AGIE)

Outcome	Appropriations				Other \$'000	Total Programme \$'000
	Bill No. 1 \$'000	Bill No. 2 \$'000	Special approp \$'000	Total approp \$'000		
	Outcome 1					
Administered 2014-15	-	-	5,548	5,548	-	5,548
<i>Administered 2013-14</i>	-	-	<i>4,828</i>	<i>4,828</i>	-	<i>4,828</i>
Total outcome 2014-15	-	-	5,548	5,548	-	5,548
<i>Total outcome 2013-14</i>	-	-	<i>4,828</i>	<i>4,828</i>	-	<i>4,828</i>
Total AGIE 2014-15	-	-	5,548	5,548	-	5,548
<i>Total AGIE 2013-14</i>	-	-	<i>4,828</i>	<i>4,828</i>	-	<i>4,828</i>

3.2 BUDGETED FINANCIAL STATEMENTS

3.2.1 Differences in agency resourcing and financial statements

There are no material variances between the agency resources table and the ARC's budget statements.

3.2.2 Analysis of budgeted financial statements

Budgeted departmental income statement

The budgeted net cost of services to the ARC for delivering its programmes in 2014–15 is \$23.2 million.

As in previous years the ARC's financial statements reflect the removal of depreciation funding as part of the Operation Sunlight net cash appropriation framework, which has the effect of creating a technical operating loss in 2014–15 and the forward years.

Budgeted departmental balance sheet

The statement shows the estimated end of year position for departmental assets and liabilities.

Assets

Total departmental assets budgeted for in 2014–15 are \$31.7 million, comprising \$12.3 million for financial assets and \$19.4 million for non-financial assets.

The \$19.4 million in non-financial assets includes \$2.0 million for land and buildings, \$0.3 million for plant and equipment, \$16.8 million for intangibles (including internally developed software) and \$0.3 million for other non-financial assets. The \$12.3 million in financial assets consists of \$0.3 million in cash and \$12.0 million in receivables.

Liabilities

Total departmental liabilities budgeted for in 2014–15 are \$6.5 million, comprising \$0.8 million for payables, \$2.7 million for interest bearing liabilities and \$3.0 million for provisions.

Budgeted departmental statement of cash flows

The statement provides information on estimates of the extent and nature of cash flows by categories and the expected cash flows against operating, investing and financing activities. Forecast cash flows for the Budget and forward estimates relate to general operating activities to fund internally developed software projects.

Departmental statement of changes in equity

The statement shows the expected movement of equity during the budget year.

Departmental capital budget statement

The capital budget for the ARC principally relates to internally developed software to enhance grant management and evaluation systems.

Schedule of budgeted income and expenses administered on behalf of Government

The schedule shows the estimated expenses for programmes administered by the ARC on behalf of the Government.

Total administered expenses budget in 2014–15 are \$881.0 million, comprising \$875.6 million for grant expenses, representing new and ongoing research funding agreements awarded under the National Competitive Grants Programme and \$5.4 million for supplier expenses reflecting the funding provided for the Excellence in Research for Australia, the Industrial Transformation Research Programme and the Future Fellowships scheme.

Schedule of budgeted assets and liabilities administered on behalf of Government

The schedule shows the estimated end of year position for assets and liabilities administered by the ARC on behalf of the Government.

Total financial assets budgeted in 2014–15 are \$1.0 million estimated GST receivable.

Total liabilities budgeted in 2014–15 are \$339.8 million, representing the balance of payments under research funding agreements for new and ongoing research projects for the calendar year 2015.

3.2.3 Budgeted financial statements tables

Table 3.2.1 Comprehensive income statement (showing net cost of services) for the period ended 30 June

	Estimated actual	Budget estimate	Forw ard estimate	Forw ard estimate	Forw ard estimate
	2013-14	2014-15	2015-16	2016-17	2017-18
	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES					
Employee benefits	13,780	13,955	14,019	14,128	14,829
Suppliers	5,768	5,620	5,449	5,284	4,410
Depreciation and amortisation	3,098	3,470	3,989	4,497	4,605
Finance costs	286	274	259	244	226
Total expenses	22,932	23,319	23,716	24,153	24,070
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Other	88	88	88	88	88
Total own-source revenue	88	88	88	88	88
Net cost of (contribution by) services	22,844	23,231	23,628	24,065	23,982
Revenue from Government	19,746	19,761	19,639	19,568	19,377
Surplus (Deficit) attributable to the Australian Government	(3,098)	(3,470)	(3,989)	(4,497)	(4,605)
Total comprehensive income (loss)	(3,098)	(3,470)	(3,989)	(4,497)	(4,605)
Total comprehensive income (loss) attributable to the Australian Government	(3,098)	(3,470)	(3,989)	(4,497)	(4,605)

Note: Impact of Net Cash Appropriation Arrangements

	2013-14	2014-15	2015-16	2016-17	2017-18
	\$'000	\$'000	\$'000	\$'000	\$'000
Total Comprehensive Income (loss) excluding depreciation/amortisation expenses previously funded through revenue appropriations	-	-	-	-	-
less depreciation/amortisation expenses previously funded through revenue appropriations ¹	(3,098)	(3,470)	(3,989)	(4,497)	(4,605)
Total Comprehensive Income (loss) - as per the Statement of Comprehensive Income	(3,098)	(3,470)	(3,989)	(4,497)	(4,605)

Prepared on an Australian Accounting Standards basis

¹ From 2010–11, the Government introduced net cash appropriation arrangements where Bill 1 revenue appropriations for the depreciation/amortisation expenses of FMA Act agencies were replaced with a separate capital budget (the Departmental Capital Budget, or DCB) provided through Bill 1 equity appropriations. For information regarding DCBs, please refer to table 3.2.5 Departmental capital budget statement.

**Table 3.2.2: Budgeted departmental balance sheet
(as at 30 June)**

	Estimated actual	Budget estimate	Forw ard estimate	Forw ard estimate	Forw ard estimate
	2013-14	2014-15	2015-16	2016-17	2017-18
	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS					
Financial assets					
Cash and cash equivalents	300	300	300	300	300
Trade and other receivables	12,061	12,061	12,061	12,061	12,061
Total financial assets	12,361	12,361	12,361	12,361	12,361
Non-financial assets					
Land and buildings	2,308	2,034	1,740	1,436	1,276
Property, plant and equipment	319	304	339	374	187
Intangibles	16,099	16,787	16,885	16,582	13,595
Other non-financial assets	285	285	285	285	285
Total non-financial assets	19,011	19,410	19,249	18,677	15,343
Total assets	31,372	31,771	31,610	31,038	27,704
LIABILITIES					
Payables					
Suppliers	862	862	862	862	862
Total payables	862	862	862	862	862
Interest bearing liabilities					
Leases	2,687	2,687	2,687	2,687	2,687
Total interest bearing liabilities	2,687	2,687	2,687	2,687	2,687
Provisions					
Employee provisions	2,660	2,660	2,660	2,660	2,660
Other provisions	313	313	313	313	313
Total provisions	2,973	2,973	2,973	2,973	2,973
Total liabilities	6,522	6,522	6,522	6,522	6,522
Net assets	24,850	25,249	25,088	24,516	21,182
EQUITY					
Parent entity interest					
Contributed equity	27,360	31,229	35,057	38,982	40,253
Reserves	43	43	43	43	43
Retained surplus (accumulated deficit)	(2,553)	(6,023)	(10,012)	(14,509)	(19,114)
Total parent entity interest	24,850	25,249	25,088	24,516	21,182
Total Equity	24,850	25,249	25,088	24,516	21,182

Prepared on an Australian Accounting Standards basis.

Table 3.2.3: Departmental statement of changes in equity – summary of movement (Budget year 2014-15)

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity/capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2014					
Balance carried forward from previous period	(2,553)	43		27,360	24,850
Adjusted opening balance	(2,553)	43	-	27,360	24,850
Comprehensive income					
Surplus (deficit) for the period	(3,470)	-	-	-	(3,470)
Total comprehensive income	(3,470)	-	-	-	(3,470)
of which:					
Attributable to the Australian Government	(3,470)				(3,470)
Transactions with owners					
Contributions by owners					
Equity Injection - Appropriation	-	-	-	2,605	2,605
Departmental Capital Budget (DCBs)	-	-	-	1,264	1,264
Sub-total transactions with owners	-	-	-	3,869	3,869
Estimated closing balance as at 30 June 2015	(6,023)	43	-	31,229	25,249
Closing balance attributable to the Australian Government	(6,023)	43	-	31,229	25,249

Prepared on an Australian Accounting Standards basis.

**Table 3.2.4: Budgeted departmental statement of cash flows
(for the period ended 30 June)**

	Estimated actual	Budget estimate	Forw ard estimate	Forw ard estimate	Forw ard estimate
	2013-14	2014-15	2015-16	2016-17	2017-18
	\$'000	\$'000	\$'000	\$'000	\$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	19,209	19,761	19,639	19,568	19,377
Net GST received	550	550	550	550	550
Total cash received	19,759	20,311	20,189	20,118	19,927
Cash used					
Employees	13,780	13,955	14,019	14,128	14,829
Suppliers	5,680	5,532	5,361	5,196	4,322
Borrowing costs	286	274	259	244	226
Net GST paid	550	550	550	550	550
Total cash used	20,296	20,311	20,189	20,118	19,927
Net cash from (used by) operating activities	(537)	-	-	-	-
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	2,809	3,869	3,828	3,925	1,271
Total cash used	2,809	3,869	3,828	3,925	1,271
Net cash from (used by) investing activities	(2,809)	(3,869)	(3,828)	(3,925)	(1,271)
FINANCING ACTIVITIES					
Cash received					
Contributed equity	2,809	3,869	3,828	3,925	1,271
Total cash received	2,809	3,869	3,828	3,925	1,271
Cash used					
Net cash from (used by) financing activities	2,809	3,869	3,828	3,925	1,271
Net increase (decrease) in cash held	(537)	-	-	-	-
Cash and cash equivalents at the beginning of the reporting period	837	300	300	300	300
Cash and cash equivalents at the end of the reporting period	300	300	300	300	300

Prepared on an Australian Accounting Standards basis.

Table 3.2.5: Departmental capital budget statement

	Estimated actual	Budget estimate	Forw ard estimate	Forw ard estimate	Forw ard estimate
	2013-14	2014-15	2015-16	2016-17	2017-18
	\$'000	\$'000	\$'000	\$'000	\$'000
NEW CAPITAL APPROPRIATIONS					
Capital budget - Bill 1 (DCB)	948	1,264	1,256	1,259	1,271
Equity injections - Bill 2	1,861	2,605	2,572	2,666	-
Total new capital appropriations	2,809	3,869	3,828	3,925	1,271
Provided for:					
Purchase of non-financial assets	2,809	3,869	3,828	3,925	1,271
Total Items	2,809	3,869	3,828	3,925	1,271
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriations ¹	1,861	2,605	2,572	2,666	-
Funded by capital appropriation - DCB ²	948	1,264	1,256	1,259	1,271
TOTAL	2,809	3,869	3,828	3,925	1,271
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	2,809	3,869	3,828	3,925	1,271
Total cash used to acquire assets	2,809	3,869	3,828	3,925	1,271

Prepared on an Australian Accounting Standards basis.

¹ Includes both current Bill 2 and prior Act 2/4/6 appropriations.

² Does not include annual finance lease costs. Include purchase from current and previous years' departmental capital budgets (DCBs).

Table 3.2.6: Statement of asset movements (2014–15)

	Buildings	Other property, plant and equipment	Computer software and intangibles	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2014				
Gross book value	4,926	1,168	26,522	32,616
Accumulated depreciation/amortisation and impairment	(2,618)	(849)	(10,423)	(13,890)
Opening net book balance	2,308	319	16,099	18,726
CAPITAL ASSET ADDITIONS				
Estimated expenditure on new or replacement assets				
By purchase - appropriation equity ¹	-	-	2,605	2,605
By purchase - appropriation ordinary annual services ²	100	100	1,064	1,264
Total additions	100	100	3,669	3,869
Other movements				
Depreciation/amortisation expense	(374)	(115)	(2,981)	(3,470)
Total other movements	(374)	(115)	(2,981)	(3,470)
As at 30 June 2015				
Gross book value	5,026	1,268	30,191	36,485
Accumulated depreciation/amortisation and impairment	(2,992)	(964)	(13,404)	(17,360)
Closing net book balance	2,034	304	16,787	19,125

Prepared on an Australian Accounting Standards basis.

¹ 'Appropriation equity' refers to equity injections provided through Appropriation Bill (No.2) 2014–15.² 'Appropriation ordinary annual services' refers to funding provided through Appropriation Bill (No.1) 2014–15 for depreciation / amortisation expenses, DCBs or other operational expenses.**Table 3.2.7: Schedule of budgeted income and expenses administered on behalf of Government (for the period ended 30 June)**

	Estimated actual	Budget estimate	Forw ard estimate	Forw ard estimate	Forw ard estimate
	2013-14	2014-15	2015-16	2016-17	2017-18
	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Suppliers	3,111	5,397	5,157	5,147	5,117
Grants	886,859	875,642	795,092	759,727	793,251
Total expenses administered on behalf of Government	889,970	881,039	800,249	764,874	798,368

Prepared on an Australian Accounting Standards basis.

Table 3.2.8: Schedule of budgeted assets and liabilities administered on behalf of Government (as at 30 June)

	Estimated actual	Budget estimate	Forw ard estimate	Forw ard estimate	Forw ard estimate
	2013-14	2014-15	2015-16	2016-17	2017-18
	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS					
Financial assets					
Taxation receivables	979	979	979	979	979
Total financial assets	979	979	979	979	979
Total assets administered on behalf of Government	979	979	979	979	979
LIABILITIES					
Payables					
Suppliers	131	131	131	131	131
Grants	339,655	339,655	339,655	339,655	339,655
Total payables	339,786	339,786	339,786	339,786	339,786
Total liabilities administered on behalf of Government	339,786	339,786	339,786	339,786	339,786
Net assets/(liabilities)	(338,807)	(338,807)	(338,807)	(338,807)	(338,807)

Prepared on an Australian Accounting Standards basis.

Table 3.2.9: Schedule of budgeted administered cash flows (for the period ended 30 June)

	Estimated actual	Budget estimate	Forw ard estimate	Forw ard estimate	Forw ard estimate
	2013-14	2014-15	2015-16	2016-17	2017-18
	\$'000	\$'000	\$'000	\$'000	\$'000
OPERATING ACTIVITIES					
Cash received					
Net GST received	5,300	5,300	5,300	5,300	5,300
Total cash received	5,300	5,300	5,300	5,300	5,300
Cash used					
Grant	886,859	875,642	795,092	759,727	793,251
Suppliers	3,111	5,397	5,157	5,147	5,117
Net GST paid	5,300	5,300	5,300	5,300	5,300
Total cash used	895,270	886,339	805,549	770,174	803,668
Net cash from (used by) operating activities	(889,970)	(881,039)	(800,249)	(764,874)	(798,368)
Net increase (decrease) in cash held	(889,970)	(881,039)	(800,249)	(764,874)	(798,368)
Cash and cash equivalents at beginning of reporting period	-	-	-	-	-
Cash from Official Public Account for:					
- Appropriations	889,970	881,039	800,249	764,874	798,368
- Special Accounts					
- Transfers from other entities (Finance - Whole of Government)					
	889,970	881,039	800,249	764,874	798,368
Cash and cash equivalents at end of reporting period	-	-	-	-	-

Prepared on an Australian Accounting Standards basis.

Table 3.2.10: Schedule of administered capital budget statement

The ARC has no administered capital budget therefore table 3.2.10 is not presented.

Table 3.2.11: Statement of administered asset movements (2014-15)

The ARC has no administered assets therefore table 3.2.11 is not presented.

3.2.4 Notes to the financial statements

The ARC budget statements have been prepared on an accrual accounting basis, having regard to the *Statement of Accounting Concepts*, and in accordance with the *Finance Ministers Orders* and the *Australian Accounting Standards and Interpretations* issued by the Australian Accounting Standards Board.

Departmental assets, liabilities, revenues and expenses are those items controlled by the ARC that are used by the ARC in producing its outputs and include computer, plant and equipment used in providing goods and services; liabilities for employee entitlements; revenue from appropriations; and employee, supplier and depreciation expenses incurred in providing agency outputs.

Administered items are those that the ARC does not control and which are subject to prescriptive rules or conditions established by legislation or Australian Government policy in order to achieve Australian Government outcomes. The ARC administers a number of grant schemes. Grant liabilities are recognised to the extent that the grant eligibility criteria or reporting requirements have been satisfied and is recorded when the Government enters into an agreement to make these grants but the services have not been performed or criteria satisfied.