



## Consultation Paper

### Actions to clarify the treatment of partner income under HERDC Category 1 and improve the consistency of HERDC Specification interpretations

#### Background

In the lead up to the submission of 2015 Higher Education Research Data Collection (HERDC) data, the Department of Education and Training issued advice to all higher education providers (HEPs) regarding the treatment of partner contributions to grants from schemes listed on the Australian Competitive Grants Register (ACGR).

This related to section 4.4.1 of the 2015 HERDC Specifications, and specifically the sentence:

*Where a HEP receives income from another source in addition to funding partners listed in its Australian Competitive Grant application, then that income should be reported under the relevant category, depending on its source.*

This sentence was added to the 2011 HERDC Specifications and has remained unchanged since. Following its addition, the department advised some stakeholders that partner contributions to ARC Linkage Projects could be reported under HERDC Category 1 if those arrangements were identified in the original application. Income from additional partners (i.e. those not identified in the original application) was to be counted under the relevant category (i.e. Category 2, 3 or 4), depending on its source, as long as it met the relevant requirements for research and research income set out in the HERDC Specifications. However, not all higher education providers received that advice potentially leading to inconsistent treatment across the sector. To allow those HEPs which had not interpreted this clause in the above manner time to adjust or resubmit their 2015 HERDC research income return, an extension of two weeks was provided, with some HEPs allowed additional time upon request.

#### Issue

The department acknowledges that the timing of its advice was inconvenient for some HEPs however action was taken to promote a level playing field for all HEPs and ensure the Research Block Grant allocations accurately reflect performance in attracting research income.

To ensure arrangements in section 4.4.1 are more clearly defined in the 2016 HERDC Specifications, the department seeks HEPs preferred position on the following options:

- A. retain the current arrangements established in 2011 (for the 2010 reporting year) that partner contributions to grants awarded by schemes listed on the ACGR can be



reported under Category 1 if those arrangements were identified in the original application; or

- B. roll back to arrangements in place prior to 2011 where partner contributions to grants awarded by schemes listed on the ACGR could not be reported under Category 1 even if those arrangements were identified in the original application.

The department now considers that it is preferable to proceed on the basis of Option B, to roll back to arrangements in place prior to 2011. This would ensure that only funding received from funding bodies responsible for administering schemes listed on the ACGR could be reported in Category 1. Partner income, whether identified in the application or not, would be reported under the other HERDC categories depending in its source.

The department's proposed approach is based on a 'first principles' view of the purpose of the HERDC, and its relationship to research block grant funding. With regard to research income, HERDC is designed to report the extent to which the research activities of Australian universities are funded by external sources including Australian competitive grants, other Australian and international public and private research grants, donations and bequests, and Cooperative Research Centres (CRC).

The disaggregation of research income into the various HERDC categories also helps enable the alignment of performance-based research block grant funding with the policy intent of the various schemes. For example, the funding formulae used to allocate Research Infrastructure Block Grants (RIBG) and Sustainable Research Excellence (SRE) funding use Category 1 income (Australian Competitive Grants) as the intent of these schemes is to support the indirect costs associated with conducting research funded by Australian competitive grants. The Joint Research Engagement (JRE) funding formula uses HERDC Categories 2 to 4 (Other Public Sector income, Industry and Other income, and CRC income), as this scheme is more closely focused on encouraging collaboration between institutions, industry and other end-users.

Allowing income partner contributions (typically sourced from other public sector and industry organisations) to grants awarded by schemes listed on the ACGR to be reported as Category 1 income in the HERDC shifts a portion of typically Category 2 and 3 income into Category 1. This dilutes the effectiveness of the HERDC as a tool for encouraging the intended research block grant policy outcomes, and reduces the utility of the HERDC to inform policy.

There is an alternate view, however, that the inclusion of partner contributions to grants listed on the ACGR as Category 1 income encourages collaboration and engagement with other parts of the innovation system. The Review of Research Policy and Funding Arrangements is currently examining the development of simpler, more transparent research block grant arrangements which continue to focus on quality and excellence, support greater industry and end-user engagement, and better knowledge transfer with industry. This process is expected to deliver a more considered and systemic approach to enhancing the incentives for end-user engagement through the research block grants and, in advance of



the review reporting to Government, the department considers that partner contributions should not be reported under Category 1 (Option B).

The department seeks HEPs feedback on the options set out above.

### **Amendment to HERDC Specifications**

Section 4.4.1 in the 2015 HERDC Specifications is ambiguous and can be interpreted as either allowing or disallowing partner contributions to grants awarded by schemes listed on the ACGR to be reported under Category 1. Whichever approach is adopted in the 2016 HERDC Specifications, the wording of section 4.4.1 will need to be clarified.

Currently, the specifications contain the following wording:

#### *4.4.1. Category 1: Australian competitive grants*

*Category 1* consists only of income from those research schemes and programs registered on the 2015 Australian Competitive Grants Register (ACGR).

Only net receipted income received by HEPs from the programs and schemes registered on the 2015 ACGR can be claimed under this category. The ACGR is available through the department's website at: [www.education.gov.au/australian-competitive-grants-register](http://www.education.gov.au/australian-competitive-grants-register).

Grants received from the Australian Government and not included in the 2015 ACGR may be eligible for inclusion in Category 2: Other public sector research income.

Where a HEP receives income from another source in addition to funding partners listed in its Australian Competitive Grant application, then that income should be reported under the relevant category, depending on its source.

If Option A is adopted, it is proposed that section 4.4.1 be amended as follows:

#### *4.4.1. Category 1: Australian competitive grants*

*Category 1* consists only of net receipted income received from funding bodies responsible for administering schemes listed on the 2015 Australian Competitive Grants Register (ACGR) plus net receipted income from partner organisations listed in Australian Competitive Grant applications.

Australian Competitive Grant applications are competitive funding applications that result in grants (income) from schemes listed on the ACGR.

The ACGR is available through the department's website at: [www.education.gov.au/australian-competitive-grants-register](http://www.education.gov.au/australian-competitive-grants-register).



Where a HEP receives income from a partner organisation not listed in an Australian Competitive Grant application, that income should not be reported under Category 1. Instead the income should be reported under the HERDC category relevant to the source of the funding.

If Option B is adopted, it is proposed that section 4.4.1 be amended as follows:

*4.4.1. Category 1: Australian competitive grants*

*Category 1* consists only of net receipted income received from funding bodies responsible for administering schemes listed on the 2015 Australian Competitive Grants Register (ACGR).

The ACGR is available through the department's website at: [www.education.gov.au/australian-competitive-grants-register](http://www.education.gov.au/australian-competitive-grants-register).

Partner organisation contributions to grants awarded by schemes listed on the ACGR should not be reported in Category 1 regardless of whether the partner contributions were identified in an Australian Competitive Grant application or not. This income should instead be reported under the HERDC category relevant to the source of the funding.

Australian Competitive Grant applications are competitive funding applications that result in grants (income) from schemes listed on the ACGR.

**Next steps**

Following on feedback from the sector, section 4.4.1 will be amended, with revised wording included in the draft 2016 HERDC Specifications which will be circulated for consultation later in 2015. HEPs will have another opportunity at that time to comment further on this issue.

In order to improve the communication of interpretations provided by the department regarding the HERDC Specifications, the department will establish a 'Frequently Asked Questions - HERDC' webpage and email alerts to all HEPs when the page is updated. The department welcomes suggestions from HEPs on any other measures that would improve the consistency of interpretations of the HERDC Specifications across the sector.



**Feedback is sought on:**

1. The preferred option for the reporting of partner contributions to grants listed on the ACGR in the HERDC:
    - **OPTION A:** partner contributions can be reported under Category 1 if those arrangements were identified in the original application; or
    - **OPTION B:** partner contributions cannot be reported under Category 1 even if those arrangements were identified in the original application.
  2. The draft clauses for each option.
  3. Measures to improve the consistency of HERDC Specification interpretations across the sector.
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Please provide input to [RBGrants@education.gov.au](mailto:RBGrants@education.gov.au) by **Tuesday 13 October 2015**. Please include "Treatment of Partner Income – HERDC" in the subject line.