FACULTY RESEARCH PERFORMANCE FUND

Purpose
To introduce a budget mechanism at the faculty level that is transparent to the faculties and which encourages the delivery of performance that aligns with those Key Performance Indicators\(^1\) for research and research training, that are the determinates of the DEST block grants received by the University.

Background
Financial support for the faculties to underwrite research and research training is provided from external and internal sources, including researchers winning external research grants. Major sources of external support that are distributed internally to support the research and research training effort, include the three DEST block grants, namely

(a) Institutional Grants Scheme (IGS) that is partly distributed back to Faculties, Research Centres and Institutes;

(b) the Research Training Scheme (RTS) that is distributed back to Faculties specifically to support places for Higher Degree by Research (HDR) students, and

(c) the Research Infrastructure Block Grant (RIBG) that is distributed to Centres and Institutes.

It is University policy to allocate the block grants and central University funds to both reward research performance and to support strategic initiatives.

The block grants are distributed on the basis of research and research training performance. It is not proposed to make any changes to the internal distribution of the RTS and RIBG block grants. While most of the changes are proposed to the IGS block grant are minor, it should be noted that under the current proposal, as outlined in the document “New Research Initiatives”, part of the IGS component will not be distributed directly to faculties, but rather to the researchers who generate these funds.

In addition, faculties support research and research training from the funds provided from their Recurrent Operating Grants, directly and indirectly through various mechanisms including the ‘Research Active’ classification. Faculties are expected to deploy resources in support of research, including time allocation for staff to engage in research and research training activities, to support research students and to support applications for grants and awards.

Proposed Allocation
In order to stimulate and reward faculty performance in research and research training, it is proposed that a proportion of the faculties Operating Grant be withdrawn and allocated to faculties on the basis of their research and research training performance. Notionally, these funds can be considered as being indicative of those funds used by the faculties to support research and research training.

It is proposed to allocate part of the faculties recurrent Operating Grant on the basis of the same Key Performance Indicators that are the determinates of the research block grants received by the University. The alignment of part of faculties budgets with these Key

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\(^1\) See table on Key Performance Indicators at the end of this document
Performance Indicators is intended to act as an incentive to faculties to increase their research and researching training performance.

a. **Withdrawal**

   It is proposed that
   
   a. 2.5% of the Faculties Operating Budget\(^2\) is withdrawn and then allocated on the basis of performance for 2005.
   
   b. 3.5% of the Faculties Operating budget is withdrawn and allocated on the basis of performance for 2006 and thereafter.

b. **Basis of Allocation**

   It is proposed that the funds that are withdrawn are allocated on the basis of performance.

   As part of the Strategic Planning Process, a Composite Research Index (CRI) has been developed by the University. The CRI reflects the dollar value attributed through the RTS and IGS Schemes to the different research key performance indicators (KPIs) as used by DEST for the Research Block Grants; namely: research income, research publications, HDR load and HDR completions.

   Given below is the approximate\(^3\) weighting allocated to the four KPIs by the Composite Research Index:

   - External Research Income 40%
   - Higher Degree Research Completions 40%
   - Higher Degree Research Student Load 10%
   - Publications 10%

   c. **Allocation Model**

   It is proposed to allocate the funds on the basis of two criteria; namely

   (i) Absolute Performance. 75% of the funds are allocated on the basis of the absolute performance using the CRI for a given year, and

   (ii) Change Performance. 25% of the funds are allocated on the basis of the change in performance using the CRI.

   The change in performance is determined as the difference between the CRI value for a given year, and the average CRI value for the two preceding years.

   Given in the following table are the recent CRI values for the faculties and the corresponding values for the Absolute Performance and Change Performance expressed in percentage terms.

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\(^2\) $64.4m – Table 8, 2004 Budget, for Faculty Operating Grant + Research Training Scheme

\(^3\) Specific details on the actual weighting can be obtained from the Office for Research and Development
### Composite Research Index (CRI)

<table>
<thead>
<tr>
<th>Faculty</th>
<th>Composite Research Index CRI</th>
<th>Absolute Performance, % 2003 Data</th>
<th>Change in CRI for 2003 from Avg. of '01 &amp; '02</th>
<th>Change Performance, % for 2003 Reference Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
<td>2002</td>
<td>2003</td>
<td>2003 Data</td>
</tr>
<tr>
<td>Arts</td>
<td>0.928</td>
<td>1.18</td>
<td>1.167</td>
<td>15.1%</td>
</tr>
<tr>
<td>Business and Law</td>
<td>1.33</td>
<td>2.051</td>
<td>2.475</td>
<td>31.9%</td>
</tr>
<tr>
<td>Human Development</td>
<td>1.028</td>
<td>1.471</td>
<td>1.604</td>
<td>20.7%</td>
</tr>
<tr>
<td>Science Engineering and Technology</td>
<td>3.289</td>
<td>2.831</td>
<td>2.506</td>
<td>32.3%</td>
</tr>
</tbody>
</table>

### d. Funding Allocation

Given in the following table are the funds allocated to the faculties, based on the Allocation Model as outlined previously.

### e. Establishment of a Floor for Budget Adjustments

It is recognised that in making the proposed performance based allocations to the higher education faculties in 2005 there is potential for significant and unexpected changes to the quantum of funds available to particular faculty(s). This will be occurring at a time when faculty budgets are recognised to be very tight both as a result of likely EB outcomes and uncertainty in the overseas student market. For this reason there will be a floor put under potential losses of budget resulting from the application this mechanism in 2005 and 2006.

In 2005 no faculty will incur a reduction in budget greater than 33% of the total amount withdrawn from them for the combined Learning and Teaching Performance Fund and the Faculty Research Performance Fund. For example, if the performance based mechanisms for teaching and learning and research had been in operation in 2004 the Faculty of Human Development would have had $1.228 million withdrawn from it for performance based reallocation. Applying the proposed floor, the maximum loss of budget allocation to Human Development would have been $368,000.

Gains will not be capped except where the floor discussed above needs to be applied. In this case potential gains to faculty(s) would be removed proportionately to cover the costs associated with the application of the floor. A floor of 66% of the amount withdrawn will apply in 2006. Thereafter, no floor will apply.
<table>
<thead>
<tr>
<th>Faculty</th>
<th>% Performance 2003</th>
<th>2.5% Component Funds Withdrawn and Distributed, $m</th>
<th>3.5% Component Funds Withdrawn and Distributed, $m</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Absolute Performance</td>
<td>Change Performance</td>
<td>Withdrawn</td>
</tr>
<tr>
<td>Arts</td>
<td>15.1%</td>
<td>12.5%</td>
<td>0.24</td>
</tr>
<tr>
<td>Business &amp; Law</td>
<td>31.9%</td>
<td>54.3%</td>
<td>0.48</td>
</tr>
<tr>
<td>Human Development</td>
<td>20.7%</td>
<td>33.2%</td>
<td>0.47</td>
</tr>
<tr>
<td>Science Eng. &amp; Tech</td>
<td>32.3%</td>
<td>0</td>
<td>0.42</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1.61</td>
</tr>
</tbody>
</table>

Notes: 1. The amounts withdrawn are based on the 2004 Budget.
2. The above allocation is based on the use of CRI data for 2003. Obviously the CRI data will change on a yearly basis for each Faculty.
Recommendations

1. That a fixed proportion of the University’s operating grant be withdrawn from faculties and re-distributed to faculties on the basis of their research and research training performance in the previous year.

2. That the Composite Research Index (CRI), developed as a key performance indicator for the University’s Strategic Plan, be used to distribute the pool that is withdrawn.

3. That 2.5% be withdrawn in 2005
   That 3.5% be withdrawn in 2006 and beyond

4. That the funds be allocated on the basis of
   (i) 75% for absolute CRI performance
   (ii) 25% for change in the CRI performance.

5. That a floor on losses be applied for the first two years of operation of the model.

Professor Vaughan Beck
Pro Vice-Chancellor (Industry, Research and Region)

11 October 2004

Key Performance Indicators

<table>
<thead>
<tr>
<th>KPI</th>
<th>IGS</th>
<th>RTS</th>
<th>RIBG</th>
</tr>
</thead>
<tbody>
<tr>
<td>External Research Income</td>
<td>60%</td>
<td>40%</td>
<td>100% *</td>
</tr>
<tr>
<td>Research Students Load</td>
<td>30%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research Student Completions</td>
<td>50%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Publications</td>
<td>10%</td>
<td>10%</td>
<td></td>
</tr>
</tbody>
</table>

* This is based on national competitive external research income only.