



Australian Government
Department of Innovation
Industry, Science and Research

Exploring Best Practice in Research Finances

1 September 2009

*Sustainable Research Excellence in Universities
Initiative - An Overview on Developments*

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Objectives of SRE

SRE will augment the existing RIBG.

So that institutions are better placed to meet the indirect cost of competitive grant research activities.

In addition, it will contribute to the sustainability of current research strategies

Summary of Proposed SRE Model

Element	Prerequisites for eligibility	Calculation methodology
<p><i>Sustainability</i> <i>Base funding</i> (20%)</p>	<ul style="list-style-type: none"> • None 	<p>As for RIBG.</p>
<p><i>Incentive</i> Threshold 1 funding (13%)</p>	<ul style="list-style-type: none"> • Participate in ERA • Participate in TC 	<p>Allocated on the relative share for each university of the first \$2.5m (or less) of competitive grant income it receives.</p>
<p><i>Excellence</i> Threshold 2 funding (67%)</p>	<ul style="list-style-type: none"> • Participate in ERA • Participate in TC • (Achieve performance threshold based on ERA data or proxy measure) 	<p>Each university's share is allocated based on the university's competitive grant income in excess of \$2.5m, the university's agreed indirect costs and a performance factor.</p>

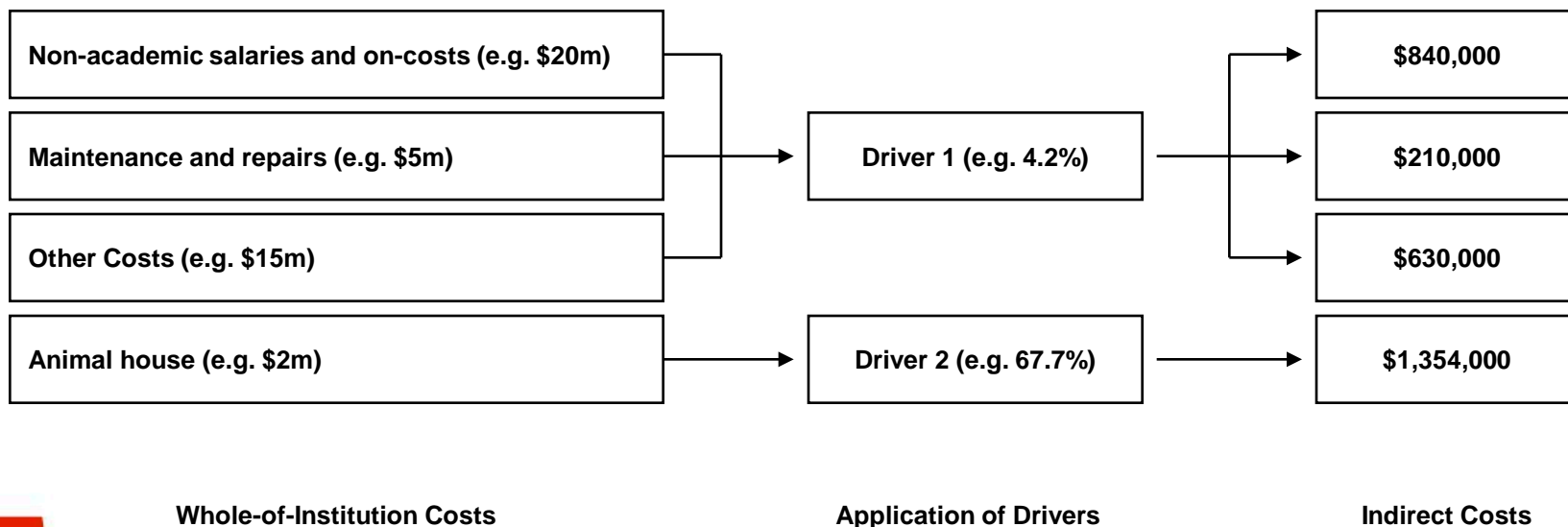
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Work to Date: The Allen Consulting Group Study

- Development of a list of allowable indirect costs and drivers to apportion those costs to different university activities.
- Administration of a survey of ACG researcher activity to estimate the proportion of time spent on different activities.
- Use of the survey data, interviews with universities and case studies to estimate the proportion of university indirect costs associated with ACGs.

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The ACG Cost Allocation Process: An Example



Based on: The Allen Consulting Group
 The indirect costs associated with research funded through Australian Competitive Grants, July 2009

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Estimating the Indirect Costs of Australian Competitive Grant Research

Estimates of ACG indirect costs calculated for each university then expressed as a % of the total ACG funds received in 2008 to determine:

- mean “ACG indirect cost rate” for university clusters, and
- mean “ACG indirect cost rate” for the sector as a whole.

Some Key Principles for TC Model to Underpin SRE

- **Fitness for Purpose:** needs to provide a robust basis for the allocation of SRE funds
- **Simplicity / cost efficiency:** needs to be as simple as possible, and minimise compliance costs
- **Consistency:** need to ensure clear guidance and support consistency in approach across sector
- **Transparency:** results should be verifiable
- **Reasonableness / materiality:** results should be defensible as real indirect costs of ACG research effort and within an acceptable range of magnitude
- **Equity:** model needs to be implementable across the sector and treat institutions fairly
- **Research efficiency:** needs to avoid rewarding inefficiencies in cost management

Some Issues to be Considered in Implementing the TC Element of SRE

- **Cost accounting practices:**
 - institutional variation in treatment of some costs (e.g. material thresholds for assets etc)
 - institutional variation in: cost data collected; organisation / reporting of cost data (i.e. cost units)
- **Cost accounting systems:**
 - institutional variation in the sophistication and flexibility of cost accounting systems (e.g. ICT and other support needs)
- **ACG research staff:**
 - institutional variation in capacity to capture ACG staff FTE
- **Cost-benefit of TC:**
 - institutional variation in the relative benefits of TC for ACG research activities given scale of efforts
 - institutions might consider the benefits of applying TC to their broader activities

SRE Web Page

For more information on developments with SRE, go to

[http://www.innovation.gov.au/ScienceAndResearch/programs_funding/Pages/SustainableResearchExcellence\(SRE\).aspx](http://www.innovation.gov.au/ScienceAndResearch/programs_funding/Pages/SustainableResearchExcellence(SRE).aspx)