

ERA AS BLOCK FUND MODERATOR

A presentation to IRU Senior Staff Forum

Professor Scott Holmes

July 2011

HERDAC Technical Committee

- *The Australian government intends that the results of Transparent Costing (TC) and ERA will modify the allocation of SRE funding.*

Initial TC formula for 2011

- Threshold 1: All universities receive a share of 20% of SRE funding based on their share of ACG income. Those that participated in TC and ERA receive a share of a further 13% based on their relative share of the first \$2.5m ACG income.
- Threshold 2: The remaining 67% of SRE funding allocated using TC and a performance measure (pf) based on research staff FTE divided by weighted publications and relative share of ACG income in excess of \$2.5m.

2011 - 3 TC Bands

- Band A was set at 1.0,
 - Band C (the highest cost quartile) at 1.2;
 - Band B (2nd and 3rd Quartiles) at a relative rate between 1.0 and 1.2.
-
- Those rated above 1.0 increased their relative share of SRE.

Issues

- No reward for efficiencies;
- No consideration given to the low, medium and high cost research mix in institutions
- Many universities cannot provide data under the preferred method, where the indirect costs of ACG research are untangled and reported;
- Default is the alternative method, where an institutions total allowable indirect costs are used as a proxy.

Discussion Paper

- *The main driver of SRE Threshold 2 funding for 2012 will continue to be the relative share of ACG income.*
- *It is proposed that this share will be moderated by both a TC measurement and an ERA index based on rating outcomes.*

2012 proposal

- TC will remain and that the pf will be replaced by an ERA moderator and the formula adopted will also apply for 2013.
- The formula will be reviewed in 2013 with respect to application for 2014.

Formula for 2012 and 2013?

- What should the funding components be for Threshold 2? The majority of the sector favour a 50:50 split.
- Two pots or a single formula?
 - TC calculation: $\text{Share of ACG Income} \times \text{TC Moderator} = \text{Share of TC Pool}$; and EI calculation: $\text{Share of ACG Income} \times \text{EI Moderator} = \text{Share of EI Pool}$. The total share of Threshold 2 is: $\text{Share of TC} + \text{Share of EI}$.
 - Or a single formula with the same elements.
 - $\text{Share of ACG Income} \times \text{TC Moderator} \times \text{EI Moderator} = \text{Threshold 2 Share}$ (relative weights would be applied to each element)

One proposal

- Two pots. The EI relates to excellence and therefore there must be a minimum number of qualifying FORs (what level?) and that the proportion of > 3 's must be more than 50%.
- This would eliminate a number of universities from this pot. The threshold question is directly raised in the discussion paper.

How is the EI derived?

- Preference for an index which is an amalgam of ERA outcomes and ERA volume.
- ERA Measure x Volume Measure = ERA Index

Proportional effort

- One argument is that the measure should be a function of proportional effort. So a threshold number of FORs needs to be met.
- The proportion of rankings $>$ than 3 over all rated FORs over the percentage of ACG income for the FORs 3 and greater.

Volume measures

- The measures considered were:
 - number of outputs;
 - research staff FTE;
 - total research income;
 - ACG income, perhaps across the most recent ERA period.

Possible outcome

- Two pots. Split 50:50. TC will be total indirect costs as a function of relative ACG. EI will be based on proportion of 3 or greater and then some adjustment for spread.
- Where spread is related to the ratio of $>$ than 3 and the concentration of ACG income across this outcome.

APAs and RTS

- Review of RTS funding and allocation of APAs. Both adjusted for ERA?
- Funding students in FORs >3 at relatively higher rates;
- Limiting the allocation of APAs to > 3 FOR outcomes.