

**Tertiary Education
Commission**
Te Amorangi Mātauranga Matua



Performance-Based Research Fund (PBRF) User Manual

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Every effort is made to provide accurate and factual content. The TEC, however, cannot accept responsibility for any inadvertent errors or omissions that may occur.



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Purpose of the PBRF User Manual

The Tertiary Education Commission (TEC) administers the Performance-Based Research Fund (PBRF) budget received from Vote Tertiary Education and allocates the funds to tertiary education organisations (TEOs).

The PBRF User Manual is a comprehensive guide to the PBRF for all participating TEOs. It covers:

- › the objectives, principles, and elements of the PBRF
- › who can participate and how much funding is available
- › how PBRF funding is calculated
- › the annual PBRF funding rounds
- › financial administration
- › reporting of PBRF information.

For key communications regarding the PBRF, refer to the TEC website, www.tec.govt.nz.

NOTE: The TEC and the PBRF Sector Reference Group have developed operational guidelines for the 2018 Quality Evaluation. These guidelines incorporate the valuable feedback provided by the sector and other stakeholders as a part of the Sector Reference Group (SRG) consultation process and can be found on the TEC website.



Objectives, principles and elements of the PBRF

Objectives, principles and elements of the PBRF

Purpose of the PBRF

The PBRF is a performance-based funding system to encourage and reward excellent research in New Zealand's degree-granting organisations. It does not fund research directly but supports research, including post-graduate level teaching support.¹

The primary objectives of the PBRF are to:

- › increase the quality of basic and applied research at New Zealand's degree-granting TEOs
- › support world-leading teaching and learning at degree and postgraduate levels
- › assist New Zealand's TEOs to maintain and lift their competitive rankings relative to their international peers
- › provide robust public information to stakeholders about research performance within and across TEOs.

In doing so, the PBRF will also:

- › support the development of postgraduate student researchers and new and emerging researchers
- › support research activities that provide economic, social, cultural, and environmental benefits to New Zealand, including the advancement of Mātauranga Māori
- › support technology and knowledge transfer to New Zealand businesses, iwi and communities.

To meet these objectives, the main focus of the PBRF is on rewarding and encouraging excellence. Excellent is not just about the production of high-quality research articles, books, exhibitions and other forms of research output. It includes all of the following:

- › the production and creation of leading-edge knowledge
- › the application of that knowledge
- › the dissemination of that knowledge to students and the wider community, and
- › supporting current and potential researchers (e.g. postgraduate students) in the creation, application and dissemination of knowledge.

PBRF governing principles

The PBRF is governed by the following principles:

- › **Comprehensiveness:** the PBRF should appropriately measure the quality of the full range of original investigative activity that occurs within the sector, regardless of its type, form, or place of output.
- › **Respect for academic traditions:** the PBRF should operate in a manner that is consistent with academic freedom and institutional autonomy.
- › **Consistency:** evaluations of quality made through the PBRF should be consistent across the different subject areas and in the calibration of quality ratings against international standards of excellence.
- › **Continuity:** changes to the PBRF process should only be made where they can bring demonstrable improvements that outweigh the cost of implementing them.

¹ Between 2004 and 2007 the PBRF progressively replaced "top-up" funding for research.

- › **Differentiation:** the PBRF should allow stakeholders and the government to differentiate between providers and their units on the basis of their relative quality.
- › **Credibility:** the methodology, format and processes employed in the PBRF must be credible to those being assessed.
- › **Efficiency:** administrative and compliance costs should be kept to the minimum consistent with a robust and credible process.
- › **Transparency:** decisions and decision-making processes must be explained openly, except where there is a need to preserve confidentiality and privacy.
- › **Complementarity:** the PBRF should be integrated with new and existing policies and quality assurance systems for degrees and degree providers.
- › **Cultural inclusiveness:** the PBRF should reflect the cultural nature of New Zealand and the special role and status of the Treaty of Waitangi (te Tiriti o Waitangi), and should appropriately reflect and include the full diversity of New Zealand's population.

The three funding components of the PBRF

The PBRF is a mixed performance-assessment regime that employs both peer review processes and performance measures. The three funding components are:

- › The **Quality Evaluation:** this is a periodic assessment of the research performance of eligible TEO staff, undertaken by expert peer review panels. Rounds have been held in 2003, 2006 and 2012. The next Quality Evaluation takes place in 2018. Currently, this component makes up 55% of the fund.
- › The postgraduate **Research Degree Completions (RDC):** this is a measurement of the number of PBRF-eligible postgraduate research-based degrees completed in participating TEOs, assessed on an annual basis. This component makes up 25% of the fund.
- › The **External Research Income (ERI):** this is a measurement of the amount of income for research purposes received by participating TEOs from external sources, assessed on an annual basis. Currently, this component makes up 20% of the fund.

See the section [How PBRF funding is calculated](#) for more information on each of these three components.



PBRF participation criteria and funding

PBRF participation criteria and funding

The next funding cycle for the PBRF is for 2019 to 2024. TEOs that want to seek funding from the PBRF must participate in the 2018 Quality Evaluation.

All New Zealand-based degree-granting TEOs, and all subsidiaries that are wholly-owned by a New Zealand-based degree-granting TEO, are eligible to participate in the PBRF. TEOs that want to participate in the 2018 Quality Evaluation must meet both of the following criteria:

1. receive Student Achievement Component funding from the TEC
2. have degree-granting authority on 14 June 2018.

TEOs cannot receive PBRF funding from 2019 to 2024 through either the Research Degree Completion or External Research Income elements of the PBRF unless they have participated in the 2018 Quality Evaluation.

The key principles underpinning the participation of a TEO in the PBRF are:

- › Participation in the PBRF is voluntary.
- › TEOs that participate in the PBRF must do so in all three components even if their funding entitlement in one or more of the components is zero, or likely to be zero.
- › If a PBRF-eligible TEO did not participate in the 2012 Quality Evaluation, then it is unable to make claims for any of the components until the next Quality Evaluation in 2018.

Funding available under the PBRF

The PBRF budget comes from Vote Tertiary Education and is set annually by Cabinet. The PBRF is capped and can only increase through government budget decisions.

The current pool size is \$300million per annum (GST exclusive).

PBRF funding period

The funding period for the PBRF is the calendar year from 1 January – 31 December.

The funding allocation ratios for each component are calculated for each TEO using the formulae set out in this document, followed by each TEO's funding entitlement from the PBRF pool.

Each component will have a percentage that is un-rounded but all final dollar amounts allocated to each TEO are rounded to whole dollars.

PBRF funding is paid through each participating TEO's Investment Plan. Delivery of Investment Plans is monitored by the TEC.

How the PBRF fits with other TEC and Government funds

After Student Achievement Component funding, which accounts for the majority of Investment Plan funding, the PBRF is the second biggest fund we administer.

The PBRF supports TEOs' capability and ability to maintain a responsive and effective network of provision. The other main fund through which the Government supports tertiary education sector research activity is through the Centres of Research Excellence.

Other government funding secured for research, such as Vote Science and Innovation funding from the Ministry of Business, Innovation and Employment (MBIE), New Zealand Trade and Enterprise (NZTE) and Marsden funding, is declared by each TEO in their ERI returns to the TEC.

How PBRF funding is calculated

PBRF allocations are calculated based on the performance of eligible TEOs in:

- › A periodic Quality Evaluation.
- › The measurement of Research Degree Completions (RDC).
- › The measurement of External Research Income (ERI).

The Quality Evaluation

The Quality Evaluation is an assessment of the research performance of staff at eligible TEOs.

TEOs determine which of their staff members are eligible to participate and then decide if each staff member's research is likely to meet the standard for a funded Quality Category. TEOs then compile Evidence Portfolios (EPs) and submit them to the TEC. EPs that are not likely to meet these requirements are not submitted for assessment. Peer review panels complete the assessment and assign one of six Quality Categories to each EP.

The funding formula for the Quality Evaluation component

Funding in relation to the Quality Evaluation is based on:

- › the Quality Categories assigned to Evidence Portfolios (EPs).
- › the funding weighting for the subject area to which EPs have been assigned.
- › the full-time-equivalent (FTE) status of the participating TEO's PBRF-eligible staff as recorded in the PBRF Staff Data file (with the qualifications as outlined below in "FTE status of staff").

The funding formula for the Quality Evaluation component is:

Formula for Quality Evaluation funding

$$\sum \text{TEO} [(\text{numerical quality category weighting}) \times (\text{FTE status of staff member}) \times (\text{funding weighting for relevant subject area})]$$

÷

$$\sum \text{all TEOs} [(\text{numerical quality category weighting}) \times (\text{FTE status of staff member}) \times (\text{funding weighting for relevant subject area})]$$

×

Total amount of funding available for the Quality Evaluation component of the PBRF

The Quality Categories

The PBRF funding generated by way of staff who participate in the Quality Evaluation is determined by the Quality Category assigned to their EP by the relevant peer review panel (see Appendix A). These Quality Categories are then given a numerical weighting known as a "quality weighting". The quality weightings used in the 2012 and 2018 Quality Evaluations are outlined in Table 1 below.

Table 1: Quality Category Weightings

Quality Category	2012 Quality Weightings	2018 Quality Weightings
A	5	5
B	3	3
C	1	1
C (NE)	1	2
R	0	0
R (NE)	0	0

Funding weighting for subject areas

Subject-area weightings are based on an EP's primary subject area of research. The current funding weightings for subject areas are shown in Table 2 below.

Table 2: Subject Area Weightings

Subject Areas	Funding Category	Weighting
Māori knowledge and development; law; history, history of art, classics and curatorial studies; English language and literature; foreign languages and linguistics; philosophy; religious studies and theology; political science, international relations and public policy; human geography; sociology, social policy, social work, criminology and gender studies; anthropology and archaeology; communications, journalism and media studies; education; pure and applied mathematics; statistics; management, human resources, industrial relations, international business and other business; accounting and finance; marketing and tourism; economics; and Pacific research.	A, I, J	1
Psychology; chemistry; physics; earth sciences; molecular, cellular and whole organism biology; ecology, evolution and behaviour; computer science, information technology, information sciences; nursing; sport and exercise science; other health studies (including rehabilitation therapies); music, literary arts and other arts; visual arts and crafts; theatre and dance, film and television and multimedia; and design.	B, L, V	2
Engineering and technology; agriculture and other applied biological sciences; architecture, design, planning, surveying; biomedical; clinical medicine; pharmacy; public health; veterinary studies and large animal science; and dentistry.	C, G, H, M, Q, N	2.5

The subject area weighting used in the Quality Evaluation funding calculation for EPs submitted to the Māori Knowledge and Development Panel and the Pacific Research Panel will reflect the underlying subject of the research, rather than the subject listed in the EP. Full-Time Equivalent (FTE) status of staff

- › The FTE status of each staff member is also a factor in the formula. Funding is generated in proportion to FTE status (as stated in the PBRF Staff Data file). The *Guidelines for tertiary education organisations participating in the 2018 Quality Evaluation* set out the requirements for calculating FTE for the 2018 Quality Evaluation.

Research Degree Completions (RDC)

RDC is a measure of the number of research-based postgraduate degrees (including Doctorates and Masters, as well as some Postgraduate Diploma and Honours programmes) that are completed within a TEO and that meet the following criteria:

- › The degree has an externally assessed research component of 0.75 EFTS value or more.

- › The student who has completed the degree has met all compulsory academic requirements by the end of the relevant year (the year preceding the return).
- › The student has successfully completed the course.

The use of RDC as a performance measure in the PBRF serves two key purposes:

- › It captures, at least to some degree, the connection between staff research and research training – thus providing some assurance of the future capability of tertiary education research.
- › It provides a proxy for research quality. The underlying assumption is that students who choose to undertake lengthy, expensive and advanced degrees (especially doctorates) tend to search out departments and supervisors who have reputations in the relevant fields for high-quality research and research training.

RDC returns

It is essential that TEOs submit completions for PBRF-eligible postgraduate RDCs through the Single Data Return (SDR) following the agreed business rules for '[Measuring research degree completions](#)'. These rules are available on the TEC website.

There are two funding rounds associated with RDCs:

- › An Indicative Funding round - RDC information will be extracted from the August SDR each year on 30 September. The data will be used as at this date.
- › A Wash-up Funding round - RDC information will be extracted from the April SDR on 30 May. Before these two SDR submission periods, the TEC will provide RDC data extracts to TEOs to enable them to make any corrections to their SDR data ahead of submission. .

Detailed guidance on how this information is converted into RDC entitlement is given below.

RDC funding allocations

Within the RDC component of the PBRF, a funding allocation ratio calculated on a three-year rolling average determines the amount allocated to each TEO annually.

For example, in 2016 the funding allocation ratio for each TEO is 15% of its RDC figure for 2012, 35% of RDC figure for 2013, and 50% of its RDC figure for 2014.

RDC weightings

The funding formula for the RDC component includes weightings for the following factors:

- › the funding category of the subject area (a cost weighting)
- › Māori and Pacific student completions (an equity weighting)
- › the volume of research in the degree programme (a research-component weighting).

Cost weightings for subject areas in Table 3 are the same as for the Quality Evaluation (see Table 2).

Table 3: Cost Weighting

Student Component Funding Category	Weighting
A, I, J	1
B, L, V	2
C, G, H, M, Q, N	2.5

Table 4 below shows the equity weighting applied to each completion. This weighting aims to encourage TEOs to enrol and support Māori and Pacific students, as they are under-represented at higher levels of study. See '[Measuring research degree completions](#)' for details about how ethnicity is extracted from the SDR.

Table 4: Equity Weighting

Ethnicity	Weighting
Māori	2
Pacific	2
All other ethnicities	1

A full list of ethnicity codes is provided in Appendix B.

The research-component weighting uses a “volume of research factor” (VRF). The VRF is based on the volume of externally assessed research included in the degree programme that has been completed, as shown in Table 5 below.

Table 5: Research-component Weighting

VRF	Weighting
Less than 0.75 EFTS	0
0.75-1.0 EFTS of Masters	EFTS value
Masters course of 1.0 EFTS thesis or more	1
Professional Doctorate with research component	EFTS value of research component
Doctorate	3

TEOs are responsible for submitting and maintaining accurate information about the Funding Category, Ethnicity, and VRF through the SDR and through the Ministry of Education’s STEO site (www.steo.govt.nz). Errors in the data reported can cause significant delays in finalising funding as they affect the calculation of funding entitlement of all participating TEOs.

The rules for '[Measuring research degree completions](#)' provide more details about what the TEC requires. If existing records need amending, these changes can generally be made through the SDR and STEO. However, if historical records need amending, please contact the TEC by emailing: pbrfinfo@tec.govt.nz.

Following the recommendations of the Sector Reference Group that reviewed the PBRF in 2008-2010, a strategic weighting of 4.0 is applied for the completion of theses in Te Reo Māori. Completion Code 8 has been introduced into the SDR for this purpose. The SDR Manual contains the definition of this completion code. Where completion code 8 is used, no ethnicity weighting is applied.

RDC funding formula

The formula used to calculate funding for the RDC component for each TEO is:

$$\Sigma \text{RDC} = [(\text{research component weighting}) \times (\text{cost weighting for relevant subject area}) \times (\text{equity weighting})]$$

The funding formula for the 2015 RDC component was:

$$\frac{\sum [(RDC \text{ for TEO2011} \times 0.15) + (RDC \text{ for TEO2012} \times 0.35) + (RDC \text{ for TEO2013} \times 0.5)]}{\sum [(Total \text{ RDC for TEO2011} \times 0.15) + (Total \text{ RDC for TEO2012} \times 0.35) + (RDC \text{ for TEO2013} \times 0.5)]} \times \text{Total amount of funding available for the RDC component of the PBRF}$$

Qualification and course approval

A TEO must submit qualifications and courses to the TEC for approval. TEOs are responsible for entering all qualification and course information through the Ministry of Education's STEO site (www.steo.govt.nz) so that the TEC can process and approve them. The TEC is not obliged to fund any courses for PBRF purposes unless they are PBRF-eligible and approved by the TEC.

PBRF notification

It is important that TEOs notify the TEC via their SDR of any changes to PBRF status or any new courses that are PBRF eligible. The PBRF codes are:

Table 6: PBRF eligibility codes

Qualification type	Eligibility code
Part-time PhD	C
Full-time PhD	D
Part-time Masters	L
Full-time Masters	M
Not eligible	X

The L and M PBRF eligibility codes are also used for Postgraduate Diploma and Honours courses. For reporting purposes, these courses can be distinguished from Masters courses by using the level of study as Doctorates are Level 10, Masters are Level 9, and Postgraduate Diplomas and Honours courses are Level 8.

External Research Income (ERI)

ERI is a measure of the total research income received by a TEO and/or any wholly-owned subsidiary. This excludes income from TEO employees who receive external research income in their personal capacity (i.e. the external research income is received by them and not their employer). Also excluded is income from controlled trusts, partnerships, and joint ventures.

ERI is included as a performance measure in the PBRF on the basis that it provides a good proxy for research quality. The underlying assumption is that external research funders are discriminating in their choice of who to fund and that they allocate their limited resources to those they see as undertaking research of a high quality.

A complete description of ERI inclusions and exclusions is provided in Appendix C.

ERI returns

Each participating TEO submits a return to the TEC. This return shows the TEO's total PBRF-eligible ERI for the 12 months ending 31 December of the preceding year (GST exclusive). In addition, in support of each ERI calculation, the TEO must provide an independent audit opinion.

Independent audit opinions of ERIs must be submitted to the TEC by 31 May each year for the Indicative Funding round the following year.

TEOs with ERI less than \$200,000 do not need to submit an independent audit opinion, but must supply independent verification of their ERI in the form of an annual report or copies of working papers to calculate the income.

The TEC will validate the ERI Declarations by checking to ensure that independent audit opinions (where applicable) have been received.

A template will be provisioned through the TEC's Integrated Provider Information (IPI) collection system (Workspace 2) at the start of the year.

Please note that a declaration from the CEO is no longer required. The submission of the ERI data through IPI and the uploading of an independent audit opinion (where applicable) is sufficient confirmation that the ERI data is accurate.

Declarations are due 31 May, and should be reported by source using the reporting template supplied via Workspace 2.

ERI funding allocations and funding formula

Within the ERI component of PBRF funding, a funding allocation ratio calculated on a rolling average basis determines the amount paid to each TEO annually. For example, the 2015 funding allocations were based on the ERI data supplied by TEOs for each of the calendar years 2011, 2012 and 2013. The 2016 funding allocation ratio for each TEO was 15% of its ERI figure for 2012, 35% of its ERI figure for 2013, and 50% of its ERI figure for 2014.

The funding formula for the 2015 ERI component was:

$$\frac{\sum [\text{ERI for TEO2011} \times 0.15] + (\text{ERI for TEO2012} \times 0.35) + (\text{ERI for TEO2013} \times 0.5)}{\sum [\text{Total ERI for TEO2011} \times 0.15] + (\text{Total ERI for TEO2012} \times 0.35) + (\text{Total ERI for TEO2013} \times 0.5)}$$

x
Total amount of funding available for the ERI component of the PBRF

Further information on the calculation and reporting of the ERI is provided in Appendix C.

The annual PBRF funding rounds

Preparation for the funding rounds

There are two official PBRF funding rounds each year:

- › An Indicative Funding round
- › A Wash-up Funding round.

At each Indicative Funding round and Wash-up Funding round, TEOs are asked to verify their RDC for the relevant years. For example, in 2016 Indicative and Wash-up funding is based on the years 2012-2014. For 2017 funding, the relevant years are 2013-2015.

The Quality Evaluation ratios were set after the 2012 Quality Evaluation and will next change after the next Quality Evaluation is completed in 2018.

The amount of a TEO's final PBRF entitlement may vary from its indicative funding for a number of reasons, including:

- › A TEO may leave the PBRF during the course of a year by ceasing operation or changing course offerings, which may increase the value of the share received by each remaining TEO.
- › Errors may be found in PBRF data as a result of checks. Once corrected, this may result in an increase or decrease in the share of a TEO (with a corresponding adjustment for other TEOs).
- › A change in the total PBRF pool size as a result of Budget increases or decreases.

For example, following the April 2016 SDR, TEOs were informed of their final funding allocation for the 2015 year. Some TEOs had no change to their funding. However, if there was a difference between the Indicative Funding and the final funding allocation, some TEOs would have received an additional payment, and some TEOs would have had to pay part of their indicative funding back to the TEC.

If the wash-up process results in a TEO paying part of their funding back to the TEC, the TEC will contact the TEO to explain the rationale for any recoveries and allow the TEO the opportunity to respond. Once all TEOs have responded, the TEC will arrange the fund recovery if it is still necessary.

If the wash-up process results in an additional payment for a TEO, the TEO will be advised in writing of the amount and when to expect this payment.

The TEC provides RDC data to TEOs prior to the submission of the April and August SDR to give them an opportunity to pro-actively identify and correct any errors and shorten the wash-up process. While the TEC endeavours to complete the wash-up process as quickly as possible, it is important to ensure data from all TEOs is correct as errors in one TEO's data can affect the funding allocations for all TEOs. As a result, where there are errors in TEOs' data, this process can take some time to complete.

Where TEOs find errors in their ERI declarations they can provide updated declarations to the TEC at any time.

Corrections affecting historic data

Action is taken by the TEC to correct errors in historic RDC and ERI data at the time of the wash-up for the relevant year. No action will be taken if errors are identified after the completion of the wash-up.

Allocation of additional appropriations

If the Government allocates additional PBRF funding in a budget decision, the TEC calculates the amount each TEO participating in PBRF is entitled to, based on the Quality Evaluation, RDC and ERI ratios used for the current year's allocation. The TEC will advise each TEO in writing of this amount and when to expect this payment. No additional information is requested from TEOs for this exercise.

Financial administration

Indicative funding

The TEC will inform TEOs of their indicative entitlement each year as part of the Plan approval process. The ratios for Quality Evaluation, RDC, and ERI will be included in Plan letters.

Indicative allocations will use the most recent Quality Evaluation, RDC, and ERI available. For RDCs, data will be extracted from the SDR as at 30 September. Any errors in this data can be corrected during the wash-up process. TEOs can submit corrections to their RDC data at any time.

Monthly payments will commence in January of the following year.

Tax

The PBRF payments include GST but are shown GST exclusive in all correspondence (such as the Investment Plan letter). TEOs should take advice from an accountant or tax specialist about income from grants, including the effect on the costs and depreciation that may be claimed in tax returns. The TEC does not provide tax advice.

The background features a complex, abstract geometric pattern. It consists of several overlapping circles of varying sizes and opacities. Within these circles, there are intricate, repeating patterns of small, dark blue arrows or chevrons that radiate from central points, creating a sense of depth and movement. The overall color palette is a range of blues, from light sky blue to a darker, more saturated teal.

Reporting of PBRF information

Reporting of PBRF Information

PBRF performance /allocation information

PBRF performance information is published on the [TEC website](#).

The primary purpose of these publications is to:

- › provide TEOs with comparable information on their performance against the three PBRF measures; and
- › to ensure transparency by providing a breakdown of funding allocations against these measures.

There are four key sets of data published:

- › Final funding allocations by measure and indicative allocations for the year following the reporting period
- › Quality Evaluation ratios
- › Post-graduate research degree completions
- › External research income

Note: funds are reported as GST exclusive

Key communications regarding the PBRF

Key communications regarding the PBRF can be found on the [TEC website](#), including:

- › General information on the PBRF.
- › The 2012 Quality Evaluation Report.
- › Information on the 2018 Quality Evaluation.
- › PBRF performance information.
- › Sector Reference Group (SRG) process and consultation papers for the 2018 Quality Evaluation.
- › Recent PBRF Sector Updates.
- › Worksheets and a declaration form for External Research Income.
- › Business rules for '[Measuring research degree completions](#)'.

To receive updates about the PBRF, email pbrfinfo@tec.govt.nz with your contact details.

Requests for PBRF information and data

TEOs and other stakeholders are able to email specific PBRF queries to the TEC. Individual researchers can also request their 2003, 2006, and 2012 results from the TEC.

- › For all general information requests, requests about funding, and requests for 2003 and 2006 Quality Evaluation results, email: pbrfinfo@tec.govt.nz.
- › For requests for 2012 Quality Evaluation scores and queries about the 2018 Quality Evaluation process, email: pbrfhelp@tec.govt.nz.

All other requests for PBRF data must be made in writing to TEC outlining:

- › the PBRF data required

- › the reason why the data is required.

These requests must be submitted to pbrfhelp@tec.govt.nz.

Information received by the TEC relating to the PBRF is confidential. However, as the TEC is subject to the Official Information Act (OIA), the information held can be requested by third parties and the TEC must comply with its obligations under the OIA.

This may result in the TEC disclosing information including:

- › name of funding recipient (the TEO)
- › amount of funding
- › contact details of recipient (the TEO)
- › a general statement of the nature of the activity.
- › the outcome of the activity assisted.

If you consider there is information in your PBRF submissions that the TEC should not release under the OIA, eg information that is commercially sensitive, please specify this and identify the grounds under the OIA for withholding that information.



Appendices

Appendices

APPENDIX A: Quality Evaluation Panels and Subject Areas

Table 7. PBRF 2018 Quality Evaluation panels and subject areas

Panel	Subject Area
Biological Sciences	Agriculture and other applied biological sciences
	Ecology, evolution and behaviour
	Molecular, cellular and whole organism biology
Business and Economics	Accounting and finance
	Economics
	Management, human resources, industrial relations, international business and other business
	Marketing and tourism
Creative and Performing Arts	Design
	Music, literary arts and other arts
	Theatre and dance, film and television and multimedia
	Visual arts and crafts
Education	Education
Engineering, Technology and Architecture	Architecture, design, planning, surveying
	Engineering and technology
Health	Dentistry
	Nursing
	Other health studies (including rehabilitation therapies)
	Pharmacy
	Sport and exercise science
	Veterinary studies and large animal science
Humanities and Law	English language and literature
	Foreign languages and linguistics
	History, history of art, classics and curatorial studies
	Law
	Philosophy
	Religious studies and theology
Māori Knowledge and Development	Māori knowledge and development
Mathematical and Information Sciences and Technology	Computer science, information technology, information sciences
	Pure and applied mathematics
	Statistics
Medicine and Public Health	Biomedical

	Clinical medicine
	Public health
Pacific Research	Pacific Research (new Panel for the 2018 Quality Evaluation)
Physical Sciences	Chemistry
	Earth sciences
	Physics
Social Sciences and Other Cultural/Social Studies	Anthropology and archaeology
	Communications, journalism and media studies
	Human geography
	Political science, international relations and public policy
	Psychology
	Sociology, social policy, social work, criminology and gender studies

APPENDIX B: Ethnicity Codes

Table 8. PBRF ethnicity codes

Ethnicity	Code	Ethnicity	Code
Pre-2007		Full List from 2007	
European/Pakeha	1	NZ European/ Pakeha	111
NZ Maori	20	British / Irish	121
Samoan	31	Dutch	122
Cook Islands Maori	32	Greek	123
Tongan	33	Polish	124
Niuean	34	South Slav	125
Tokelauan	35	Italian	126
Fijian	36	German	127
Other Pacific Island	37	Australian	128
Chinese	51	Other European	129
Indian	52	Maori	211
SE Asian		Samoan	311
Other Asian	68	Cook Islands Maori	321
Other	89	Tongan	331
International Student	98	Niuean	341
Not Known	99	Tokelauan	351
		Fijian	361
		Other Pacific Peoples	371
		Filipino	411
		Cambodian	412
		Vietnamese	413
		Chinese	421
		Indian	431
		Sri Lankan	441
		Japanese	442
		Korean	443
		Other Asian	444
		Middle Eastern	511
		Latin American	521
		African	531
		Other Ethnicity	611
		Not Stated	999

APPENDIX C: Guidance on External Research Income

Purpose

This guidance provides information on the calculation and reporting of the External Research Income (ERI). The government has introduced requirements for ERI to be reported in four different categories from 2015 and financial weightings will be applied to these categories in the PBRF funding formula from 2017.

It contains the following topics:

- › What is the ERI Component?
- › Principles behind the ERI component.
- › ERI inclusions and exclusions.
- › Collaborative research agreements.
- › Eligibility of income from trusts.
- › Recognition of revenue and liabilities.
- › ERI categories and weightings.
- › Definitions of income categories.
- › Use of ERI weightings in funding calculations.
- › Evidence of funding source.
- › Entities and responsibilities in calculating ERI.
- › Calculation of the ERI component.
- › Timings for ERI information collection.
- › Preparing for the collection of ERI information.

What is the ERI component?

The ERI component is the total of a TEO's research income (as further defined below) that is received by the TEO and/or any 100% owned subsidiary of the TEO.

Of the total funds to be allocated through the PBRF in any one year, 20% are allocated based on the ERI component.

Principles behind the ERI component

The principles underpinning the ERI component are:

- › The generic principles that underpin the whole PBRF.
- › Generally accepted accounting principles (GAAP) as applied in New Zealand are to be used in the calculation of ERI.
- › The ERI return will be certified by the TEO and subject to audit.
- › Only research funding from outside the tertiary sector (and contestable funding from within the tertiary sector) can be included as ERI.
- › For transfers of funds between TEOs (such as sub-contracting for collaborative research contracts), TEOs must allocate external funds among themselves and must document the arrangements before counting these funds as ERI. Transfers of funds between TEOs and from TEOs to subsidiaries are otherwise not eligible.

- › The primary funding contract for the research undertaken will determine the source of the ERI funding that is received by the TEO and/or any 100% owned subsidiary of the TEO, and the weighting to be applied (see Research Contracts for further clarification).
- › ERI will have a default weighting of 1.0. TEOs receiving NZ non-government or overseas ERI must provide sufficient evidence and assurance to their auditors that a higher weighting can be claimed.
- › The initial weighting on ERI is maintained through any sub-contracting arrangements. This also applies to any funds received back by a TEO due to any specific research arrangement.
- › Where a research contract has multiple funding sources, each individual source will require categorisation for the appropriate ERI weighting for its share of funding to be applied.

ERI inclusions and exclusions

What is included in, and excluded from, the ERI component is determined by:

- › The purpose for which the income is received.
- › The nature of the entity receiving the income.

Income included in the ERI must be for purposes of research as defined for the PBRF.

See also the section below on Eligibility of Income from Trusts, which outlines some issues in relation to income from trusts.

Research income can be included in the ERI component if it is received by a TEO and/or the 100% owned subsidiaries of a TEO.

The research income of the following recipients is not eligible for inclusion in the TEO's ERI:

- › TEO staff members who receive ERI in their personal capacity (ie the ERI is received by them and not their employer).
- › Subsidiaries and associates that are less than 100% owned by the TEO.
- › Controlled trusts (see section on eligibility of income from trusts, below).
- › Partnerships.
- › Joint ventures.

For the purposes of the PBRF, the date at which ownership of a subsidiary is to be determined is 31 December of the year preceding the return. For example, for ERI returns for the 2017 year, ownership is determined on 31 December 2016.

Where a subsidiary becomes 100% owned during the year, ERI can only be included for the period that a subsidiary has been 100% owned.

The following items may be included as ERI:

- › Grants providing a stipend to a research student and/or the cost of a student's research degree (note that the research degree in these cases does not have to comply with the 0.75 EFTS required for the RDC component – but it does require a research component).
- › Funds provided specifically for the purpose of travel when used to enable access to a programme of research (the staff member(s) using the funds should be active in the research programme, rather than being an observer or visitor).
- › Funds supplied for clinical trials provided the purpose of the trial meets the PBRF Definition of Research.

- › Funds that support any other part of the full costs of a research programme (e.g. support for travel to conferences directly associated with a research programme even where the research programme itself may be otherwise funded internally).
- › Capital grants provided to purchase assets explicitly for the purpose of conducting research (irrespective of whether or not such grants are ultimately applied to operating costs or to the purchase of research equipment).
- › Capital which is provided specifically for research purposes and which is treated as an equity contribution in the TEO's financial statements (e.g. capital grants received for establishing CoREs).
- › Income from CoREs.
- › Funds from the Strategic Development Fund provided specifically for the purpose of research.

The following items are excluded from ERI:

- › Funding for student places provided through the student component of the EFTS funding formula.
- › Interest income accruing to research grants and contract research funds already received by the TEO.
- › Goods or services or cash contributions received on condition that the TEO uses them to purchase goods or services from the funder.
- › Grants provided to purchase assets, unless explicitly and exclusively for research purposes.
- › Income which is not earmarked by the donor for research, but which may be spent on research at the discretion of the TEO.
- › Income received for purposes other than research (eg profits from workshops or fee-paying courses).
- › Consultancy fees for projects that do not meet the PBRF Definition of Research – this will mean that consultancy agreements which include both research and consultancy elements must be apportioned so that only the research income is included as ERI.
- › Proceeds from the sale of intellectual property, whether or not that property is derived from research.
- › Revenue from activities associated with research (eg derived from goods or services that are a by-product of the research).
- › Services provided in kind (ie where there has been no monetary payment) such as the free use of a laboratory for research purposes.
- › Funds that originate from the TEO or its 100% owned subsidiaries.
- › The GST component in any research funds received.
- › Funding received from the PBRF.

Collaborative research agreements

Where TEOs are jointly undertaking research, they must determine how any ERI should be apportioned between them.

To the extent that TEOs are not able to agree and the head research contract does not make specific provision for apportionment, the income in question must be excluded from the ERI component.

The onus of establishing that the contract is joint research, and not a sub- contract arrangement, is on the TEOs.

It is anticipated that parties entering into external research contracts on a collaborative basis will explicitly acknowledge the ERI sharing arrangements in the head contract. Sector groups may, however, enter into some collective agreement on the method of apportionment to be used. For example, Universities New

Zealand has agreed that PBRF-eligible ERI will be included in the ERI return for the university undertaking sub-contracted work and removed from the ERI return of the university letting the contract.

Where collaborative research occurs with an organisation outside the tertiary sector, the income received by the TEO can be counted as ERI (ie it is not necessary to apportion the income under the head research contract as required for collaborative research arrangements between TEOs).

Eligibility of income from trusts

ERI includes income for research purposes from Trusts where:

EITHER

The trust is not controlled by the TEO or the TEO is not the settlor, beneficiary or trustee. For example, research grants from Community Trust, Wellcome Trust or Lion Foundation are all legitimate ERI if they meet the PBRF Definition of Research.

OR

The Trust is controlled by the TEO and the trust deed specifies that the funds from the trust are to be used solely for research.

OR

The TEO can prove that the funds have been provided to the trust specifically to support or fund research and that the funds have not been provided to the trust by the TEO or its 100% owned subsidiary.

Interest earned by a Trust where distributions are exclusively for the purpose of research may be counted as ERI once it is distributed to a TEO as research funding. This is because there will be no practical way to establish the source of a donation from an arms-length Trust (such as a Community Trust). Once the funds are available within the TEO, no interest can be recognised if the funds are invested by the TEO.

Recognition of revenue and liabilities

TEOs should not include income for research work in the ERI calculation until that work has been undertaken. Further guidance is offered on matters of income recognition below.

Where a research contract specifies a clear requirement for a condition to be satisfied, and that condition has not been satisfied, then an obligation or liability exists and the research funds cannot be fully recognised as ERI. In some cases, it may be necessary to make an apportionment. This apportionment should reflect the underlying substance of the research contract. In some circumstances the proportion of total project costs expended may be the appropriate basis. The liability will therefore be the costs to complete as a proportion of total project costs multiplied by the research revenue.

To ensure greater consistency in the treatment of research income, TEOs must use the following criteria for recognition of liabilities.

A liability should only be recognised in the statement of financial position when:

- › It is probable that the future sacrifice of service potential or future economic benefits will be required.

AND

- › The amount of the liability can be measured with reliability.

The definition of liability identifies three essential characteristics, all of which should be present for a liability to be recognised. These characteristics are set out in the following table:

Table 9. Essential characteristics of liability

Essential Characteristics	Interpretation
There must be a present obligation – i.e. the TEO must have a duty or responsibility, which has not yet been satisfied, to act or perform in a certain way	For example, there is a contractual obligation to carry out the research or, more specifically, to deliver some research output
There must be adverse financial consequences for the entity, in that the entity is obliged to sacrifice service potential or future economic benefits to one or more other entities	There must be some obligation to repay or refund the research income, in whole or in part
The transaction or other event which gives rise to the obligation to sacrifice service potential or future economic benefits must have occurred	It must be clear that at the time of reporting there would be an obligation to repay

ERI categories and weightings

ERI is reported by four weighted source categories:

Table 10. ERI categories and weightings

Category	Weighting
NZ government contestable funds	1.0
NZ public sector contract research	1.0
Overseas research income	1.5
NZ non-government income	2.0

Definitions of income categories

NZ government contestable funding and NZ public sector contract research

All income from NZ government, whether defined as NZ government contestable funds or public sector contract research, will attract a weighting of 1.0 when funding is from entities listed as New Zealand State Sector Organisations at http://www.ssc.govt.nz/state_sector_organisations and not domiciled overseas.

'NZ government' also comprises all local authorities ('local government'), including council-controlled organisations as well as the State sector above ('central government'). See Figure 1 (<https://www.ssc.govt.nz/cegma1>).

For reporting purposes, TEOs must categorise NZ government funding into one of the two categories described below:

- › NZ government contestable funds are generally characterised by an open call for proposals, whether the research is mission-led or investigator-led. The funding is likely to be characterised by the funder as a public good or a grant. The source government appropriation may also be described as a grant or fund. The vast majority of NZ government income is expected to fall into this category.
- › NZ public sector contract research is generally categorised by the purchaser's focus on buying or funding specific research for its own purpose, as input into its own activities. It may or may not have been procured via an open tender.

TEOs will in some cases need to make judgements when classifying their ERI into these two categories.

NZ non-government income

ERI is defined as NZ non-government, and attracts a weighting of 2.0, when the funding is from entities not listed as New Zealand State Sector Organisations as defined per http://www.ssc.govt.nz/state_sector_organisations and not domiciled overseas. These entities may include:

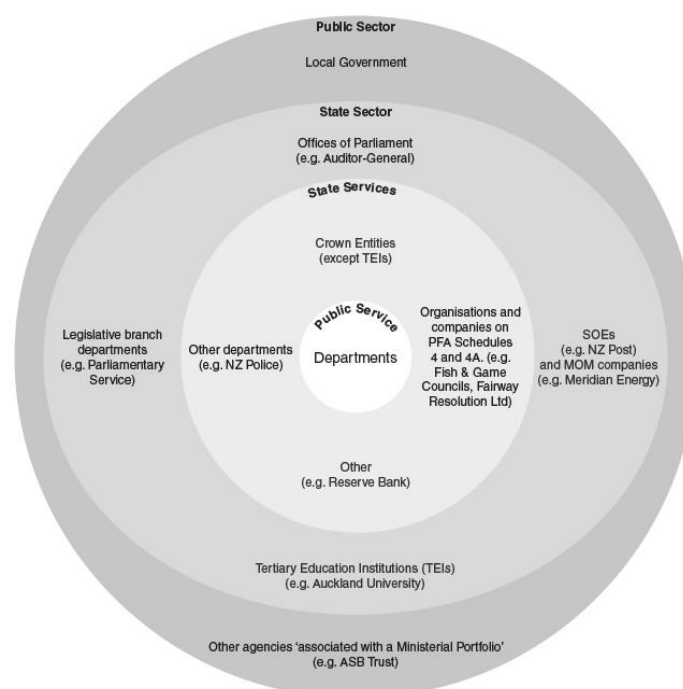
- › NZ Public and Private Companies.
- › Not-for-Profit entities such as charities.
- › Iwi and their subsidiaries.
- › Industry-based bodies.
- › Private individuals and trusts.
- › Co-operatively-owned companies e.g. Fonterra and Zespri.

Overseas research income

ERI is defined as Overseas research income, and attracts a weighting of 1.5, when:

- › The person or organisation paying for the research or sponsoring the research is wholly based overseas, and/or
- › Funding is from overseas governments, and/or
- › GST is not payable on the funding received, and/or
- › Where the primary source of funding is from overseas even though decisions regarding the use of this funding are made in New Zealand (e.g. Fulbright Scholarships) and other costs directly related to them (e.g. scholarships costs, travel costs etc.), and/or
- › It is overseas income earned by the TEO's overseas operations.

Figure 1. Public sector map



Use of ERI weightings in funding calculations

ERI declarations using these categories should be submitted by 31 May for the previous calendar year.

The new weightings will affect the calculation of TEO’s PBRF funding allocations from the 2017 calendar year onwards, when 2015 ERI performance information starts to inform funding. By 2019, all of the ERI component will be allocated based on ERI weighted by source.

The proportion of PBRF allocated via the ERI component is 20%.

TEC will publish information about ERI by funding source in the PBRF performance information.

Evidence of funding source

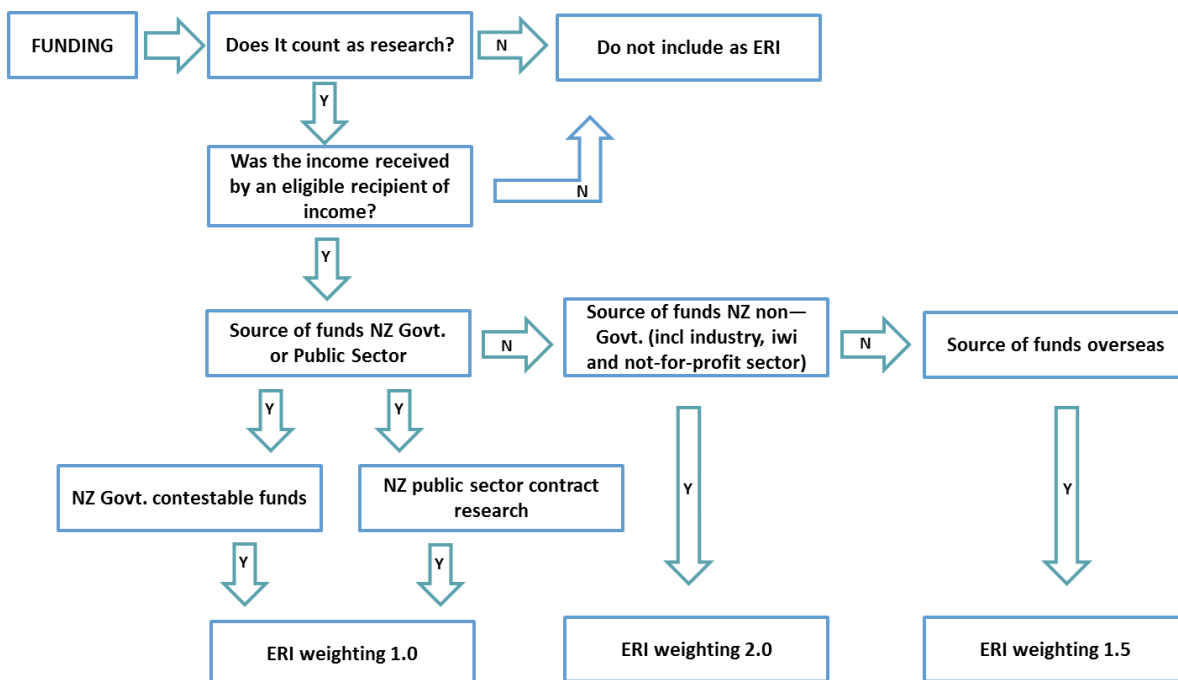
The research contract or agreement is expected to be the primary mechanism for determining the source of funding and correct category for ERI. Wherever possible, any contracts or research agreements declared by TEOs as source of ERI should identify geographic location of the funding source, and in the event of multiple funders, the breakdown of the ERI sources.

Funding from research contracts or agreements executed pre-2015 with funding implications from 2015 is eligible for weightings by source as long as appropriate evidence of the funding source can be provided to auditors.

Where any contract or agreement does not have sufficient information to determine the source of funding, it is the responsibility of the TEO to provide sufficient supplementary evidence to their auditors that the source of funding is eligible for any higher weighting claimed.

Where there is no evidence to support the classification of an ERI source as attracting a weighting of 1.5 or 2.0, or if the contracting body is not the source of the funding, it is the responsibility of the TEO to provide sufficient evidence of this to their auditors. This also applies to funds passed through intermediary organisations.

Figure 2. Decision tree for determining income source



Responsibilities in Calculating ERI

The following table outlines the responsibilities of TEOs and the TEC in calculating, and collecting information for, the ERI component.

Essential Characteristics	Interpretation
TEO	<ul style="list-style-type: none"> › Completes an ERI declaration › Prepares auditable work-papers that support its determination of ERI › Provides an independent audit opinion – this opinion will attest to the accuracy of the return and the correct application of these ERI requirements › Provides the ERI information and audit opinion within the required timeframes.
TEC	<ul style="list-style-type: none"> › Collects ERI information from participating TEOs › Calculates the ERI component in the PBRF formula for each participating TEO › Reports ERI information to the sector, including disclosure of the ERI information that has been collected.

Calculation of the ERI component

The ERI component is calculated as a three-year rolling average. The rolling average is calculated using the following weightings:

- › 50% for the ERI in the previous year.
- › 35% for the year before the previous year.
- › 15% for the year before that.

Timings for ERI information collection

Declarations are due by 31 May each year.

Preparing for the collection of ERI information

TEOs may wish to consider the following questions when preparing to collect ERI information:

- › Have auditable work-papers been prepared that provide evidence of the total ERI?
- › Is the basis for all research funding to be included in the ERI clearly established and documented (i.e. are contracts complete and referenced)?
- › Does the documentation for all ERI to be included align with the PBRF Definition of Research?
- › Where collaborative research is to be included in ERI, have the respective shares of each organisation involved in the research been properly established and agreed? If not, has the income been eliminated from the calculation of ERI?
- › Where consultancy (or other non-research activities) and research are part of the same contract, has an appropriate allocation been made?
- › Where ERI has been received from controlled trusts, is there evidence to prove that the funds were given to the trust for the purpose of research; or is there evidence to demonstrate that the sole purpose of the trust is to fund research?