

# Sharper incentives for engagement: New research block grant arrangements for universities

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The University of Melbourne is pleased to respond to the consultation on research block grant funding arrangements. It welcomes the flexibility to better support the costs of research; increase collaboration and user engagement in research; and to improve the support of, and career outcomes for, higher degree by research (HDR) graduates.

The University is a world-class research-intensive university, with more than 4,500 HDR students currently enrolled (approximately 3,750 full-time equivalents). In 2014 the University's expenditure on research was \$1.1 billion, reflecting a sustained effort to grow investment in research. The University is scaling-up its research and innovation capability as it seeks to derive ever more economic and societal value from our leading research. This in turn better equips our graduates with the skills and capabilities they will need to be successful in the workplace of the future.

## Executive Summary

The University:

- Supports the streamlining of the funding arrangements into the research support and research training programs and agrees with the proposed changes to the HERDC income categories and sub-categories
- Welcomes the additional investment in the Research Support Program (RSP) to increase opportunities for HEP–industry engagement
- Applauds the introduction of completion incentives in the Research Training Program (RTP) for indigenous Australians. It is committed to increasing indigenous participation in research training and invests in research preparedness training, PhD Familiarisation Programs and offers a Graduate Certificate in Indigenous Research and Leadership to achieve that aim
- Does not support a 10% cap on international student access to the RTP. Numerous reports have noted that domestic demand for research training is flat, and that Australia is reliant on training international HDR students to meet its research workforce demand. This is particularly so in disciplines such as engineering, which are fundamental to solving our national science and research priorities
- Understands that with flexibility in funding arrangements come obligations for transparency and accountability in the use of public money. However, the introduction of any new reporting requirements need to be considered carefully to ensure they do not increase compliance costs and have sufficient lead time for higher education providers (HEP) to make the required system changes
- Notes that a number of the questions raised in this consultation relate to the measurement of engagement and impact, which is the subject of separate consultation being coordinated by the Australian Research Council. The University submission to that consultation is

attached for reference. It encourages the Government to consider the responses to these two consultations together, to ensure a coordinated and complementary policy approach.

Detailed responses to each of the consultation questions follow below.

For further information or to discuss our submission, Professor James McCluskey, Deputy Vice-Chancellor (Research) can be contacted on [dvc-research@unimelb.edu.au](mailto:dvc-research@unimelb.edu.au) or (03) 03 8344 3238.

## Research Support Program

### Issue 1: Allowable expenditure

**Consultation question 1:** *Does RSP funding require limits on allowable expenditure? If so, would the proposed restrictions allow sufficient flexibility to support HEPs research activities?*

The University agrees with the broadening of allowable expenditure from the RSP grant and that capital infrastructure costs not directly related to research should be excluded.

It does not agree with the proposal to exclude the *research* costs of HDR students. As the Department notes in the consultation paper, it is not possible to separate the research costs of an HDR student from a HEP's research effort, as they are firmly embedded in that enterprise. The University recommends that HDR stipends be excluded from RSP expenditure as they are provided through the RTP, but that other elements of support for HDR be allowable RSP expenditure.

*"To provide transparency and to allow for expenditure of Government support to be more accurately monitored, it is proposed that HEPs be required to separately report RSP expenditure on the indirect costs of Australian competitive research grants in their Financial Statements."*

At present the University would not be able to report separately on RSP expenditure on the indirect costs of Australian competitive research grants. If this type of reporting is required as part of the University's financial statements, significant lead time would need to be provided to ensure that all requirements can be gathered and met and that the resulting changes to the finance system could be implemented and tested accordingly.

### Issue 2: Measuring performance

**Consultation question 2:** *What information could HEPs provide to best demonstrate value for money and performance under the RSP?*

The University understands the requirement to account for the performance of funding provided under the proposed RSP. While acknowledging this, it believes that the best way to measure performance is through the Excellence in Research for Australia (ERA) assessment framework.

As noted in the consultation paper, it would be difficult for a HEP to attribute research outputs directly to the RSP as the funding has broad impact on university research activity. Many of these activities derive their funding from multiple sources and it would be expensive and technologically challenging to separate out the various components according to the funding source. This is

particularly true at the University of Melbourne where a significant change in current financial practices would be required to enable this type of reporting. Attempting to link researchers, support staff, research project and research outputs to RSP funding, particularly using indirect methods, would also raise data reliability and validity issues and come at a significant cost. ERA is a comprehensive assessment of all university research activity derived from both commonwealth and other sources of funding, including industry. A stated object of ERA is to 'establish an evaluation framework that gives government, industry, business and the wider community assurance of the excellence of research conducted in Australian higher education institutions'. Research conducted in HEPs is in part funded through the Government's research block grant programs and is therefore evaluated as part of ERA.

The University notes the statement on page 6 of the consultation paper that *...the Government will monitor the levels of end-user engagement under the new RBG arrangements and may consider more prescriptive arrangements for this additional allocation in the future if the stated policy objectives are not achieved through this measure.*

It is extremely difficult to measure the effectiveness of programs from an end-user engagement perspective (please also refer to the University's submission to the *Engagement and Impact Assessment Consultation Paper* which is attached for reference). The process from research input to end-user outcome is often non-linear and diffuse. The University would be hesitant for more prescriptive arrangements and metrics to be introduced without extensive consultation and meaningful evaluation of any perverse consequences they might trigger.

## Research Training Program

### Funding drivers

The funding of the RTP is based upon a traditional model of on-shore, in-person training of HDR students. The sector continues to innovate and models of distance-delivered (online) and off-shore physical HDR training are evolving. Students enrolled off-shore may no longer be required to spend any time being trained in Australia and the costs incurred in their training and support are substantially lower than those of domestically trained candidates. At least one HEP has developed a 'train the trainer' model for distance-delivered training in association with an international organisation that is not qualified to deliver HDR training its own right, and plays a much reduced role in the supervision and development of those candidates.

The University therefore questions the inclusion of completions from these models in the RTP block grant calculation. They have the potential to distort the allocation of funds relative to the cost of training, and the relative benefits available to on-shore trained students. The University suggests the Department monitors these evolving HDR training models, especially those involving students located off-shore, for their contribution to Australian public good and their impact on, and distortion of, RTP funding.

The University recommends that research training that is genuinely collaborative and builds research and partner engagement, for example through jointly awarded or Cotutelle degrees where the candidate must spend at least one year of their candidature located on-shore should be supported.

These arrangements would be reflected in enduring links being established between research groups of the partner institutions, co-publications between the institutions where the HDR graduate is the lead author, and where the student has spent sufficient time in Australia to obtain a genuine Australian research experience. Arrangements that could not be characterised in these ways should not be remunerated under the RTP.

### **Issue 3: A single funding pool**

**Consultation question 3:** *Should a cap be imposed on international enrolments or should enrolments be unrestricted and monitored over time?*

No cap should be placed on the number of (on-shore /jointly trained) international students to be supported by the RTP nor on the proportion of funds directed to those students. To do so would ignore the fact that student demand in a number of the National Science and Research Priority areas – particularly those dependent on engineering and computing skills - comes largely from students who are sourced from other countries.

Higher education providers have invested significantly in HDR training of students recruited from overseas in recent years and continue to do so to maintain their research training capacity. Any risk of the majority of funding moving to international students over time would be managed best by monitoring and responding if the risk was realised. It should be recognised that new industries in the USA have been catalysed by the recruitment and retention of high-quality international research training candidates.

**Consultation question 4:** *Which key dimensions of RTP support (such as the type of students, total amount of support and stipend levels) would reporting need to include to ensure the program is meeting its policy goals and no undesirable consequences are occurring?*

The number, identity, citizenship and study load of HDR students and those receiving RTP stipends are reported through current data collection arrangements and should continue. Providing the annual stipend rate per student would be achievable and provides an opportunity for the Department to monitor for unintended consequences in the deregulation of stipend rates (consultation question 6).

It would be neither pragmatic nor reasonable to report on the actual stipend amount or allowances received per student per year given variations in commencement dates, intermissions in candidature etc.

Reporting of the total expenditure on RTP stipends per annum as a proportion of the total block grant received would allow the Department to monitor to what extent the fund is being used to directly support students' cost of living.

The reporting of international students who receive RTP fee offsets would require investment in student management systems and a change to the Higher Education Student Data Collection (HESDC). Student fee categories/liabilities are 'hard wired' into HEP student management systems and changes to those categories have downstream implications for the data integrity of HEP administrative systems.

The consultation paper notes that students' eligibility to receive tuition support from 2018 is dependent on the finalisation of the Government's proposed directions under the higher education reform agenda (p. 17). Changes to HESDC reporting of HDR fee liability categories should be deferred until the outcome of the reform agenda and implication for HDR fee liabilities is known.

#### **Issue 4: Eligibility criteria**

**Consultation question 5:** *Are the proposed RTP eligibility criteria an improvement on current arrangements? Are there likely to be any unintended consequences?*

Yes, the proposed eligibility criteria are an improvement on current arrangements. In particular, the removal of the Honours requirement or equivalent for stipend support will facilitate greater innovation in research training pathways and allow students to be supported through that path. It will also make it easier to recognise prior experience and equivalence measures to encourage diversity and in particular, indigenous participation in research training.

The University agrees that a detailed definition of entry standards by the Government is unnecessary and that competitive, merit-based selection is sufficient.

The criterion *that a student receiving a RTP stipend must not be receiving equivalent support providing a benefit greater than 75 per cent of the student's stipend rate* is problematic if stipend rates are deregulated or vary across a \$15,000 range. The purpose of this condition needs to be reconsidered: if the driver is to place a ceiling on the amount of publicly funded stipend support a student may receive, then an indexed ceiling rate would need to be quoted. Neither of these options would preclude HEPs from providing top-up scholarships or studentships as they do now.

The University also suggests that RTP support should not be provided to students for subsequent qualifications of the same type and at the same AQF level. That is, if one already holds an RTP-supported Masters research qualification, RTP support should not be provided for another Masters research qualification. Similarly a holder of a doctoral research qualification should not be supported for another doctoral research qualification.

#### **Issue 5: Benefits**

**Consultation question 6:** *Is the proposed approach to defining RTP benefits a better approach to meeting the goals of the program? Are there likely to be any unintended consequences?*

**Consultation question 7:** *Will the flexibility to set maximum stipend rates result in competition across the sector and mean that most students will receive the maximum level of RTP support and cause a substantial reduction in HDR student numbers? If this is a likely risk what constraints should be built into the new arrangements?*

The University appreciates the flexibility to define the criteria and benefits for all components of the RTP Scholarship (tuition support, stipend and allowance entitlements) and supports the introduction of a minimum stipend rate.

It would be appropriate to reconsider the minimum stipend rate as the APA rate has fallen below the Henderson Poverty Index in recent years. Two-thirds of HDR candidates are aged over 30<sup>1</sup> and therefore they are likely to be incurring housing costs. It would be appropriate to at least re-baseline the minimum stipend APA rate for 2017 to the Henderson Poverty Index for a single person in work, with housing.

Note that the 2017 stipend rate quoted in the consultation paper represents a 1.7% increase on the 2016 stipend rate only, rather than 2% intended in the document.

The University does not believe there is a risk of excessive stipend inflation. Two factors governing the RTP should mitigate against this:

1. With 50% of the RTP driven by completions, offering very few high-value stipends would become self-limiting as a HEP's completions would decline relative to the sector
2. Post-transition, no safety net will be applied to the RTP. HEP will need to manage their ongoing commitments for stipends and fee offsets without certainty of their future years' RTP allocations.

The University do not see value in stipulating that no more than 20% of the RTP allocation could be used for higher value support, nor does it believe that higher value stipends should be limited to students in specific fields of research or in those disciplines offering internships. HEPs should be able to deploy the block grant as needed to attract high calibre students in areas of research priority. It should be noted that the National Science and Research priorities and 'wicked' problems are unlikely to be solved by researchers within single discipline areas only; they require multi and inter - disciplinary collaboration.

#### **Issue 6: Length of support**

**Consultation question 8:** *Is the proposed length of RTP support a better approach to meeting the goals of the program? Are there likely to be any unintended consequences?*

The capacity to align candidature duration and scholarship support is welcome, as is the opportunity to provide stipends to support career development activities such as industry placements or professional development training.

The University supports the proposal to make extensions of stipend and candidature from 3.5 to 4 years for doctoral training discretionary, based on criteria to be determined by HEPs. The University does *not* support the extension of entitlements beyond 4 years for doctoral or beyond 2 years for masters students. Inevitably, exceptions become the norm, and offering this option has a high risk of extending times to completion and diluting the efficiency of the program.

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<sup>1</sup> Review of Australia's Research Training System, ACOLA, 2016 Table 4

**Issue 7: Application, selection and offer processes**

**Consultation question 9:** *Is the proposed approach a better approach to meeting the goals of the program? Are there likely to be any unintended consequences?*

The University supports the proposed approach and does not believe there are likely to be any unintended consequences.

**Issue 8: RTP Scholarship Policy**

**Consultation question 10:** *Would the proposed provide clarity to students regarding RTP processes and entitlements? Are there likely to be any unintended consequences?*

The University agrees that HEPs should have little problem adapting their existing policies to meet the requirements of the RTP Scholarship Policy. As is currently the case, HEPs should be required to align stipend leave entitlements with institutional HR policies.

The one area in which the University considers it inappropriate to set a condition on support is in the number of hours a student is permitted to work. The current APA guidelines exclude income from other sources in calculation of stipend limits, and the Postgraduate Research Sector Visa (subclass 574) allows international HDR students to work unlimited hours once they have commenced their HDR course.

The University would prefer to make continued RTP support dependent on satisfactory progress, rather than attempt to regulate time spent by students on non-research related activities.

**Issue 9: Continuing students**

**Consultation question 11:** *Are the proposed transition arrangements sufficient for continuing students? Are there likely to be any unintended consequences?*

The University believes the transition arrangements are sufficient to ensure continuing students receive equitable stipend and tuition support. Assuming that 4 year (EFT) stipends will be offered to the 'pipeline' of students already engaged in research training, HEP may manage their financial commitments by reducing commencing numbers accordingly. This may be an unintended consequence.

The University suggests that the requirement for a RTP-supported student to obtain a CHESN be made prospectively only. To require returning students to obtain a CHESN (and therefore consent to their personal identification details being provided to the Department and the Australian Taxation Office) when it has not been a condition of their enrolment or financial support to date could be problematic (Issue 10, p. 23).

**Issue 10: Measuring performance**

**Consultation question 12:** *Would the proposed arrangements help the monitoring and benchmarking of student outcomes? Should the Department consider collecting any other types of HDR student data such as level of support provided and stipend amounts for individual students?*

The question regarding stipend and financial support per student has been responded to in Consultation question 4.

Completion rates and times are appropriate outcome measures for the success and efficiency of the RTP. As the ACOLA Review of Research Training notes, the term completion is used variously across the sector to refer to events from the final date of enrolment to conferral of the degree (Section 7.3.3). The definition of completion and method for measuring completion rate would need to be agreed across the sector, and the ability of HEP to calculate these data be confirmed, before implementation. This could be a task for the sector-based implementation working group recommended by the ACOLA Review Panel.

The University already collects Field of Research codes at the 6-digit level for its HDR cohort and believes it is sensible to do so for strategic purposes, and could supply these in the HESDC.

Reporting on industry engagement data such as numbers of students undertaking industry placements should not be an element of the HESDC. Provision was made to include questions about industry placements, industry co-funding and supervision and entrepreneurship training in the Graduate Outcome Survey (GOS; Section E Additional Items), as was the ability to obtain employer details to survey them about graduates' preparedness for work. Our understanding is that the additional items were not used in the 2015/16 GOS. Aligning questions about industry engagement to employment destinations through the GOS is a better way to assess research training outcomes, rather than measuring isolated inputs. It should also be noted that the GOS asks graduates how satisfied they were with their course and to what extent their course prepared them for their employment.

Additionally, industry engagement can vary from single-day shadowing programs to a 6 month full-time internships. Recording multiple engagements on a student management system and trying to equate types and length of engagement across the sector would be impractical.

The greatest limitation to assessing the effectiveness of Australia's research training is the lack of longitudinal career outcome data. The University therefore supports the suggestion that all HDR students obtain a CHESSN to facilitate longitudinal data collection.

## Measuring Engagement

**Consultation question 13:** *Would the proposed changes to Categories 2, 3 and 4 result in more appropriate and reliable measures of research engagement? Should the Department consider collecting any other types of engagement data?*

The University agrees with the proposals to:

- Remove HDR fees for both domestic and overseas students from the HERDC income collection (issue 11)
- Change the Category 2–4 sub-categories (issues 12–14) of income provided sufficient lead time is given. The University will require time to implement changes to its finance system and other collection processes eg staff training, to ensure that income is captured and categorised appropriately



- Report category 4 income on a calendar year basis (issue 15).

The reorganisation of Category 3 income sub-categories better reflects engagement with societal sectors. In particular, the University supports the inclusion and recognition of income from philanthropy, which is increasing in importance as a source of research support.

Any consideration of collecting additional engagement data should be informed by the responses to the *Engagement and Impact Assessment Consultation Paper* and should avoid duplication of data collection and reporting.