

Allocating PBRF Funding

Overview

Introduction

This document provides a general description of the process for allocating funding from the PBRF funding pool. This explains the assumptions and formulae that are used to determine the funding that each Tertiary Education Organisation (TEO) participating in the PBRF receives. It also outlines how the Tertiary Education Commission (TEC) will deal with situations that may affect the entitlements of participating TEOs. The paper also sets out the information that TEOs receive, the arrangements that will apply for the 2007 calendar year and the arrangements for public reporting.

It contains the following topics

- What TEOs require
- Calculating the Three Components of the Funding Formula
- Calculating the Funding for the Quality Measure
- Calculating the Funding for the Research Degree Completions Measure
- Calculating the Funding for the External Research Income Measure
- Entry and Exit from the PBRF
- Payments
- Notice of Entitlements
- Special Transition Arrangements for 2007
- Public Reporting

What TEOs require

What TEOs require

In operationalising the funding arrangements, TEOs will require from the TEC:

- Clear indications of their funding entitlement and changes to their funding entitlement
 - As much certainty as possible on the entitlement for each TEO and as far in advance of the academic year as possible, and
 - A breakdown of the funding by PBRF measure (Quality Evaluation measure, Research Degree Completions measure and External Research Income measure) to allow TEOs to identify the basis for the calculation of their entitlement.
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Calculating the Three Components of the Funding Formula

Three elements

The amount of funding that each TEO will receive in the PBRF will be determined by the TEO's performance in relation to each of the three key measures for the PBRF:

- Quality Evaluation measure, based on performance in the Quality Evaluation round (60% of the total fund)
- Research degree completions measure (25% of the total fund)
- External research income measure (15% of the total fund).

Each TEO's share of funding for each of these three measures will be determined by their relative performance against other participating TEOs in that particular measure. Their total funding is the sum of their funding under each measure.

Quality measure

The calculations for the Quality Evaluation measure will result from the 2006 Quality Evaluation round, and will apply to funding in calendar years 2007-2012.

The third Quality Evaluation round is tentatively scheduled for 2012, and the results from this will apply to funding in calendar years 2013-2018.

Research degree completions measure

This measure will be collected annually using updated statistics and will be subject to a rolling average calculation.

External research income measure

This measure will be collected annually using updated statistics and will be subject to a rolling average calculation.

Calculating the Funding for the Quality Measure

Basis for calculating the funding

Funding in the Quality Evaluation is based upon:

- The final Quality Category for each staff member assigned a funded Quality Category (“A”, “B”, “C”, or “C(NE)”) resulting from the evaluation of EPs
- The funding weighting for the subject area that the staff member has been assigned to
- The Full Time Equivalent (FTE) status of the staff member for the TEO that they are employed by (or in some cases, were employed by during any part of the 12 months prior to the PBRF Census)

Quality Category value

The funding generated by each staff member participating in the Quality Evaluation is determined by the Quality Category that they have been assigned by the relevant peer review panel. Associated with each Quality Category is a quality weighting as set out in the table below.

Quality Category	Numerical Quality Score
C(NE)	1
C	1
B	3
A	5

Subject area weightings The staff member is required to select a subject area that best matches their primary subject area of research in preparing their EP. The subject area for the staff member will determine the funding weighting in the formula for the Quality Evaluation measure. The following table provides the current funding weightings on a subject area basis.

Subject areas	Weightings
Accounting and Finance Anthropology and Archaeology Communications, Journalism and Media Studies Economics. Education English Language and Literature Foreign Languages and Linguistics History, History of Art, Classics & Curatorial Studies Human Geography Law Management, Human Resources, Industrial Relations, International Business and Other Business Māori Knowledge and Development Marketing and Tourism Philosophy Political Science, International Relations and Public Policy Pure and Applied Mathematics Religious Studies and Theology Sociology, Social Policy, Social Work, Criminology and Gender Studies Statistics	1
Chemistry Computer Science, Information Technology, Information Sciences Design. Earth Sciences Ecology, Evolution and Behaviour Molecular, Cellular and Whole Organism Biology Music, Literary Arts and Other Arts Nursing Other Health Studies (including Rehabilitation Therapies) Physics Psychology Sport and Exercise Science Theatre and Dance, Film and Television and Multimedia Visual Arts and Crafts	2
Agriculture and Other Applied Biological Sciences Architecture, Design, Planning and Surveying Biomedical Clinical Medicine Dentistry Engineering and Technology Public Health Veterinary Studies and Large Animal Science	2.5

**Full time
equivalent
status**

The FTE status of each staff member is also a factor in the formula. Funding is generated in proportion to FTE status.

The FTE status is determined by information supplied by TEOs in the PBRF Census (Staffing Return) collected through the Ministry of Education's Single Data Return (SDR) return.

The FTE calculation involves comparison of PBRF Census data submitted by participating TEOs. For more information see the topics dealing with *Eligibility of Transferring Staff*, *Eligibility of Staff Concurrently Employed by Two or More TEOs*, and *Eligibility of Staff who Change their Employment Status During the Year*, which begin on page 36 of the 2006 PBRF Guidelines.

**Quality
measure
funding
formula**

The funding formula for the quality measure is:

$$\Sigma [(\text{base funding unit}) \times (\text{quality weighting}) \times (\text{FTE status of researcher}) \times (\text{funding weighting for relevant subject area})]$$

**Base funding
unit**

The base funding unit will be derived through the formula:

$$\frac{\text{Total amount of funding available for research quality}}{\Sigma [(\text{FTE status of researcher}) \times (\text{quality weighting}) \times (\text{funding weighting for relevant subject area})]}$$

**Example –
Quality
Evaluation
measure**

In 2006, the PBRF pool is projected to be \$126M, of which 60% will be allocated through the Quality Evaluation measure.

The total funding unit for this measure is derived by multiplying the FTE status of each researcher by the quality weighting assigned to each EP. Finally, this figure is multiplied by the subject weighting derived from the field of research associated with the EP. Based on the results of the 2003 Quality Evaluation, the sum of all of these calculations or the total funding unit for the measure is 16,158.085. The base funding unit is derived by dividing the funding available in 2006 by the total funding unit resulting in the figure of \$4,678.77.

A researcher whose Evidence Portfolio (EP) was assigned a “B” Quality Category attracts a quality weighting of “3”. If they worked on a fulltime basis at the census date they would attract an FTE status of “1”. If they were engaged in research in psychology then their subject weighting would be “2”.

The contribution that this EP makes to the performance of the researcher’s TEO in the Quality Evaluation measure is the sum of $3 \times 1 \times 2 \times \$4,678.77$. This results in funding for the researcher’s TEO of \$28,072.63 for the 2006 calendar year.

Calculating the Funding for the Research Degree Completions Measure

Basis for calculating the funding

Funding for research degree completions is based upon:

- The number of research degree course completions
- The 'volume of research factor' based on the volume of research (in EFTS terms) of the degree programme. (eg a PhD attracts a weighting of 3) see the weightings described in the 2006 PBRF Guidelines (p.189)
- The relative weighting of the subject area as per the quality measure (see the table describing [subject area weightings](#) above); and
- Equity weightings for course completions depending on student ethnicity as follows:
 - 2 for Māori students
 - 2 for Pacific students
 - 1 for all other students.

Research degree completions measure funding formula

The funding formula for the research degree completions (RDC) measure is:

$$\Sigma [(\text{base funding unit}) \times (\text{RDC numbers}) \times (\text{weighting for course level}) \times (\text{cost weighting for relevant subject area}) \times (\text{equity weighting})]$$

Base funding unit

The base funding unit will be derived through the formula:

Total amount of funding available for research degree completions

$$\Sigma [(\text{RDC numbers}) \times (\text{weighting for course level}) \times (\text{cost weighting for relevant subject area}) \times (\text{equity weighting})]$$

Example – RDC measure In 2005, the final PBRF pool is projected to be approximately \$43M, of which 25% is allocated through the RDC measure.

The total funding unit for this measure is derived by multiplying the volume of research factor for each completion by the ethnicity weighting assigned to each completion. This figure is then multiplied by the cost weighting derived from the subject of the course. For 2005, completions are each weighted 50% for 2002 and 2003. This results in a total funding unit of 5.095.9965. The base funding unit is derived by dividing the funding available in 2005 by the total funding unit resulting in the figure of \$2,139.57.

For example, the completion of a PhD attracts a volume of research factor of “3”. If this degree is completed by a Pakeha/European student then the ethnicity weighting that is applied is “1” and if the PhD is completed in dentistry then the completion attracts a cost weighting of “2.5”.

The contribution that this completion makes to the performance of the student’s TEO in the RDC measure is the sum of $3 \times 1 \times 2.5 \times \$2,139.57$. This results in funding for the student’s TEO of \$16,046.79 for the 2005 calendar year.

Further information More detailed information on how the research degree completions measure is calculated is in Chapter 4 of the 2006 PBRF Guidelines.

Calculating the Funding for the External Research Income Measure

Basis for calculating the funding

The external research income (ERI) measure will allocate funding to TEOs in proportion to the extent to which they attract external research income.

External research income measure funding formula

The funding formula for the external research income measure is:

$$\frac{\text{Total ERI for TEO}}{\text{Total ERI for all TEOs}} \times \text{Total amount of funding available for ERI Measure}$$

Further information

More detailed information on how the external research income measure is calculated is in Chapter 5 of the 2006 PBRF Guidelines.

Entry and Exit from the PBRF

New TEOs joining the PBRF

TEOs that participate in the PBRF for the first time will affect funding for all other participating organisations. New entrants who begin to offer degree programmes can only participate in the PBRF from the beginning of a Quality Evaluation cycle. For example, TEO X gains degree-granting authority in 2008, this TEO may begin receiving funding from the measures of the PBRF in the same year as the third Quality Evaluation first influences funding (for example, funding for the third Quality Evaluation scheduled for 2012 will apply from 2013).

TEOs leaving the PBRF

Funding for a TEO will stop immediately that a TEO:

- Ceases to be eligible for participation in the PBRF, or
 - Ceases operations.
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Extra payment to other TEOs

All other TEOs may receive an extra payment from the Fund when a TEO leaves the PBRF. This payment would occur in the wash up payment following the end of the academic year.

Fund size reduction

Note, however, that the size of the PBRF may also reduce when a participating TEO ceases operation or delivering degree-level courses, because of the reduction in EFTS enrolments on which the 'top up' degree component of the Fund is calculated.

Payments

Monthly payments

Participating TEOs will receive monthly PBRF funding together with their regular Student Component funding payments.

Each payment will be 1/12 of the total annual entitlement in the PBRF (except in the case of washup payments).

Projected fund size as basis for distribution

The Fund will be allocated during the calendar year on the basis of the estimated pool size as forecast by the Ministry of Education. This will provide greater stability of funding, in light of the changing Fund size and potential reallocations between providers for any reason, eg successful complaints, entry and exit from the PBRF. The way in which the fund size is calculated is described in the paper *Setting the size of the PBRF pool*.

Changes to entitlement

The amount of a TEO's entitlement in the PBRF may vary for three reasons:

- A TEO may leave the Fund during the course of a year (either through ceasing operation or through changes to course offerings), which may increase the value of the share of each participating TEO that remains, although reducing total fund size
 - Errors may be found in PBRF data as a result of checks or audits which, when corrected, would result in an increase or a decrease in the share of a TEO, with a corresponding adjustment for other TEOs
 - The number of students at degree and post-graduate degree level across the system may increase or decrease, affecting the total size of the Fund.
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Wash up payments

A final wash up payment for each year will normally be made with the April payment of the following year. This will take into account any changes in entitlement noted above. For example, the wash-up payment for the 2005 calendar year is scheduled to be made in April 2006.

**Advice of
wash up**

Each TEO will be advised of their revised entitlement in advance of the final wash up payment.

Notice of Entitlement

Two notices per year

TEOs will be provided with a notice of entitlement twice a year, detailing the amount of PBRF funding they are likely to receive.

Timing of notices

Notices of entitlement will be sent:

- Before the commencement of the academic year (normally in November of the previous year)
 - Before the April wash-up payment each year.
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Arrangements for 2007

TEOs will be advised of their indicative funding allocations for the ERI and RDC measures in November of 2006.

For the Quality Evaluation measure in 2007, the TEC will provide an indicative notice of entitlement at the same time as TEOs are advised of the Quality Categories for each staff member.

Following the processing of complaints, a final notice of entitlement for the Quality Evaluation measure will be provided. The TEC plans to release these notices in June 2007.

Contents of notice

Each notice of entitlement will provide the following information:

- An estimate of the total PBRF entitlement for the year and what this corresponds to on a monthly basis
 - An estimate of the total entitlement for each measure (ie for each of the Quality Evaluation, ERI and RDC measures).
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**Key
components
of notice**

This table shows the breakdown of the key components that will be included in the notice of entitlement for each TEO.

Measure	Information Provided in Annual Notices
Quality measure	<ul style="list-style-type: none">▪ Estimated funding both annually and monthly generated for this measure for the TEO▪ Proportion of total funding for Quality measure received by the TEO
ERI measure	<ul style="list-style-type: none">▪ Estimated funding both annually and monthly generated for this measure for the TEO▪ Proportion of total external research income funding received by the TEO
RDC measure	<ul style="list-style-type: none">▪ Estimated funding both annually and monthly generated for this measure for the TEO▪ Proportion of total funding for the research degree completions measure received by the TEO.

Special Transition Arrangements for 2007

January to April 2007

Monthly payments in the period from January to April 2007 for the performance element in the PBRF will be based on the proportions allocated in the 2006 calendar applied to the pool size for the 2007 calendar year. This is because the results of the Quality Evaluation are unlikely to be publicly available until April 2007.

Initial wash- up

A wash-up adjustment will be made in the May 2007 payment to bring the payments made for January to April into line with entitlements based on PBRF performance measures.

May to December 2007

In the case of TEOs that perform relatively well on the PBRF measures, additional funding will be paid by way of an increased monthly amount from May to December 2007 period.

In a small number of cases, where TEOs do not perform relative to other TEOs on the PBRF measures, there may be a decrease in monthly payments after April 2007.

Public Reporting

Quality Evaluation reports

Reports on Quality Evaluations will be released in April of the year following a Quality Evaluation round. For example, the report on the 2006 Quality Evaluation will be released in April 2007. The report of the 2006 Quality Evaluation will take the place of the 2006 Annual Report.

Annual Reports

In all other years, an annual report will be prepared and released to the sector in February of the following year. For example, the 2005 annual report is scheduled to be released in February 2006. Each annual report presents updated information on funding entitlements, research degree completions and external research income.
