



Tertiary Education Commission
Te Amorangi Mātauranga Matua

Performance-Based Research Fund User Manual

Version 3. December 2014

Contents

1. Purpose of the PBRF User Manual	3
2. Objectives, principles, and elements of the PBRF.....	4
2.1 Purpose of the PBRF	4
2.2 PBRF governing principles	4
2.3 The three elements of the PBRF.....	5
3. PBRF participation criteria and funding	6
3.1 PBRF participation criteria.....	6
3.2 Funding available under the PBRF.....	6
3.3 PBRF funding period	6
3.4 How the PBRF fits with other TEC and Government funds.....	6
4. How PBRF funding is calculated	7
4.1 The Quality Evaluation (QE).....	7
4.2 Research Degree Completions (RDC).....	9
4.3 External Research Income (ERI).....	12
5. The annual PBRF funding rounds	13
5.1 Preparation for the funding rounds.....	13
5.2 Corrections affecting historic data.....	13
5.3 Allocation of additional appropriations	14
5.4 Financial administration.....	14
6. Reporting of PBRF information	15
6.1 Privacy and Official Information Act obligations	15
6.2 The Annual Report.....	15
6.3 Key communications regarding the PBRF	15
6.4 PBRF enquiries	16
APPENDIX A: Quality Evaluation Panels and Subject Areas	17
APPENDIX B: Ethnicity Codes	19
APPENDIX C: Guidance on External Research Income	20

1. 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 is consulting with the sector on the design of the 2018 Quality Evaluation (QE) component of the PBRF. More information about this process, and about the most recent Quality Evaluation in 2012, are available on the TEC website, www.tec.govt.nz.

2. Objectives, principles, and elements of the PBRF

2.1 Purpose of the PBRF

The primary purpose of the PBRF is to ensure that excellent research in the tertiary education sector is encouraged and rewarded. This entails assessing the research performance of eligible TEOs and funding them on the basis of this performance. Between 2004 and 2007 the PBRF progressively replaced “top-up” funding for research.

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.

Through the Quality Evaluation, the PBRF assesses the quality of both basic and applied research that can be researcher-, mission-, and industry-led. The PBRF does not purchase research of any specific type or in any particular areas.

2.2 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.
- **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 bicultural 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.

2.3 The three elements of the PBRF

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

- a **Quality Evaluation (QE)** measure: 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 full round of the Quality Evaluation takes place in 2018. Currently, this element makes up 60% of the fund.
- a postgraduate **Research Degree Completions (RDC)** measure: this is a measurement of the number of PBRF-eligible postgraduate research-based degrees completed in participating TEOs, assessed on an annual basis. This element makes up 25% of the fund.
- an **External Research Income (ERI)** measure: 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 element makes up 15% of the fund.

See section 4 (“How PBRF funding is calculated”) for more information on each of these three assessment areas.

NOTE: The TEC is consulting with the sector on the design of the 2018 Quality Evaluation (QE) component of the PBRF. More information about this process, and about the most recent Quality Evaluation in 2012, are available at www.tec.govt.nz.

NOTE: From 2015, ERI will be reported by source (see section 4.3). From 2016, the proportion of funding allocated based on each element will change, with 55% allocated based on the QE, 25% on RDCs, and 20% on ERI.

3. PBRF participation criteria and funding

3.1 PBRF participation criteria

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.

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

- the TEO had the authority to grant degrees on the PBRF Census date (most recently held on 14 June 2012)
- participation in the PBRF is voluntary
- TEOs that participate in the PBRF must do so in all three measures even if their funding entitlement in one or more of the measures 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 measures until the next Quality Evaluation in 2018.
- the TEO has an Investment Plan and receives SAC funding.

3.2 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.

In 2015, the pool size is \$287.5 million (GST exclusive), rising to \$300 million (GST exclusive) from 2016.

3.3 PBRF funding period

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

The funding allocation ratios for each measure are calculated for each TEO using the formulae in sections 4.1, 4.2 and 4.3, followed by each TEO's funding entitlement from the PBRF pool.

Each measure 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.

3.4 How the PBRF fits with other TEC and Government funds

After the Student Achievement Component (SAC), which accounts for the majority of Investment Plan funding, the PBRF is the second biggest fund available. The PBRF will increase to \$300 million a year from 2016.

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 (CoREs), which will increase to \$49.8 million a year from 2016/17.

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.

4. How PBRF funding is calculated

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

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

4.1 The Quality Evaluation (QE)

The assessment of research quality is undertaken by interdisciplinary peer review panels consisting of disciplinary experts from both within New Zealand and overseas. These panels provide expert coverage of the subject areas within each panel's respective field of responsibility.

The funding formula for the Quality Evaluation (QE) measure

Funding in relation to the QE 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 at the date of the PBRF Census: Staffing Return (with the qualifications as outlined below in the section 'FTE status of staff').

The funding formula for the QE measure is:

$$\frac{\sum \text{TEO} [(\text{numerical quality score}) \times (\text{FTE status of researcher}) \times (\text{funding weighting for relevant subject area})]}{\sum \text{all TEOs} [(\text{numerical quality score}) \times (\text{FTE status of researcher}) \times (\text{funding weighting for relevant subject area})]} \times \text{Total amount of funding available for the Quality Evaluation component of the PBRF}$$

The Quality Categories

The PBRF funding generated by way of staff who participate in the QE 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 Weighting	2018 Quality weighting
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; and economics.	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, planning, surveying; biomedical; clinical medicine; pharmacy; public health; veterinary studies and large animal science; and dentistry.	C, G, H, M, Q, N	2.5

When calculating funding based on the results of the 2012 QE, the TEC applied these subject area weightings to EPs submitted to the Māori Knowledge and Development panel.

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 Census: Staffing Return). Four particular considerations apply to FTE calculations:

- When staff were concurrently employed at two TEOs, they generated an FTE entitlement for each organisation based on their FTE status in their employment agreement with each TEO.
- For most staff, their FTE status was that of the week 12 June 2012 to 16 June 2012. However, if staff changed their employment status within the TEO during the previous 12 months, their FTE status was their average FTE status over the period (e.g. six months at 0.5 FTE and six months at 1 FTE = 0.75 FTE).
- When a staff member started employment in the 12-month period before the PBRF Census and was previously not employed by a participating TEO, then (providing they had an employment agreement of one year or more) their FTE status was what their employment agreement stated it to be at the time of the Census.

- When a staff member left one participating TEO to take up a position in another participating TEO in the 12 months before the PBRF Census, both TEOs had a proportional FTE entitlement.

4.2 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 and a Wash-up Funding round. For the 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.

For the 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.

See Section 5.1 for more information on the Indicative and Wash-up Funding rounds.

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, the 2015 funding allocation ratio for each TEO was based on 15% of its RDC figure for 2011, 35% of its RDC figure for 2012, and 50% of its RDC figure for 2013. 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

Research-component weighting	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 has been introduced for the completion of theses in Te Reo Māori. A new 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 measure for each TEO is:

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

The funding formula for the 2015 RDC measure was:

$$\frac{\Sigma [(RDC\ for\ TEO2011 \times 0.15) + (RDC\ for\ TEO2012 \times 0.35) + (RDC\ for\ TEO2013 \times 0.5)]}{\Sigma [(Total\ RDC\ for\ TEOs2011 \times 0.15) + (Total\ RDC\ for\ TEOs2012 \times 0.35) + (RDC\ for\ TEO2013 \times 0.5)]} \times Total\ amount\ of\ funding\ available\ for\ the\ RDC\ component\ of\ the\ PBRF$$

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.

4.3 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.

For 2014 declarations, a template will be provisioned through the TEC's new Integrated Provider Information (IPI) collection system (Workspace 2) in early 2015. The previous ERI Declaration form can no longer be used.

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.

For 2015 declarations, due 31 May 2016, a new template that allows reporting by source will be introduced via Workspace 2. This will be provided in early 2016.

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 measure was:

$$\frac{\sum [ERI \text{ for TEO}_{2011} \times 0.15] + (ERI \text{ for TEO}_{2012} \times 0.35) + (ERI \text{ for TEO}_{2013} \times 0.5)}{\sum [Total \ ERI \ \text{for TEOs}_{2011} \times 0.15] + (Total \ ERI \ \text{for TEOs}_{2012} \times 0.35) + (Total \ ERI \ \text{for TEO}_{2013} \times 0.5)} \times \text{Total amount of funding available for the ERI component of the PBRF}$$

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

5. The annual PBRF funding rounds

5.1 Preparation for the funding rounds

There are two official PBRF funding rounds each year: An Indicative Funding round and 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 2015 indicative and wash-up funding is based on the years 2011-2013. For 2016 funding, the relevant years are 2012-2014.

The QE 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 2015 SDR, TEOs will be informed of their final funding allocation for the 2014 year. Some TEOs may have no change to their funding. However, if there is a difference between the Indicative Funding and the final funding allocation, some TEOs may receive an additional payment, and some TEOs may have to pay part of their indicative funding back to the TEC.

If this 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 this 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. Use of these updated declarations is subject to section 5.2.

5.2 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.

5.3 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 QE, 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.

5.4 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 QE, RDC, and ERI will be included in Plan letters.

Indicative allocations will use the most recent QE, 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.

6. Reporting of PBRF information

6.1 Privacy and Official Information Act obligations

Information received by the TEC relating to the PBRF is held in the strictest confidence. 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 provide information as required by law. The information may include:

- name of funding recipient
- amount of funding
- contact details of recipient
- general statement of the nature of the project/activity
- the outcome of the activity assisted.

The OIA provides that information can be withheld for several reasons, including if it is subject to an obligation of confidence or is commercially sensitive. The TEC will not release any details beyond those listed above without first advising the applicant involved. The TEC must comply with the Privacy Act 1993 and Official Information Act 1982 in all its undertakings with applicants.

6.2 The Annual Report

PBRF Annual Reports are published on the [TEC website](#).

The purpose of the PBRF Annual Report is to provide TEOs with information to gauge their current performance in comparison to other TEOs, based on the PBRF quality evaluation, research degree completions and external research income measures. It also provides translation of this data into PBRF Funding information for each TEO.

There are four key sets of data identified in the Report:

- indicative funding for the year after the date of the report
- quality evaluation ratios
- postgraduate research degree completions
- external research income.

The majority of the data in the report are derived from these four key sets of data. Prior to 2007, the TEC reported funds that were GST inclusive. Reporting changed in 2007 and funds were reported as GST exclusive.

6.3 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
- PBRF Annual Reports

- Sector Reference Group (SRG) process 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.

6.4 PBRF enquiries

TEOs are able to email specific PBRF queries to the TEC. This includes requests from individual researchers for their 2003, 2006, and 2012 Component Scores.

- For all general information requests, requests about funding, and requests for 2003 and 2006, QE scores, email: pbrfinfo@tec.govt.nz.
- For requests for 2012 Quality Evaluation scores, email: pbrfhelp@tec.govt.nz.

APPENDIX A: 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
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

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

1. 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.
2. It contains the following topics:
 - What is the ERI Measure?
 - Principles behind the ERI measure
 - 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 measure
 - Timings for ERI information collection
 - Preparing for the collection of ERI information.

What is the ERI measure?

3. The ERI measure 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.
4. Of the total funds to be allocated through the PBRF in any one year, 15% are allocated based on the ERI measure. From 2016, the proportion of funding allocated on the ERI measure will increase to 20%.

Principles behind the ERI measure

5. The principles underpinning the ERI measure 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 section on 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

6. What is included in, and excluded from, the ERI measure is determined by:
 - The purpose for which the income is received
 - The nature of the entity receiving the income.
7. Income included in the ERI must be for purposes of research as defined for the PBRF.
8. See also the section below on Eligibility of Income from Trusts, which outlines some issues in relation to income from trusts.
9. Research income can be included in the ERI measure if it is received by a TEO and/or the 100% owned subsidiaries of a TEO.
10. 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.
11. 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 2005 year, ownership is determined on 31 December 2004.
 12. Where a subsidiary becomes 100% owned during the year, ERI can only be included for the period that a subsidiary has been 100% owned.
 13. 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 measure – 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.
 14. 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

15. Where TEOs are jointly undertaking research, they must determine how any ERI should be apportioned between them.
16. 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 measure.
17. The onus of establishing that the contract is joint research, and not a sub-contract arrangement, is on the TEOs.
18. 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, the NZVCC 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.
19. 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

20. 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.

21. 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

22. 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.

23. 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.

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

25. 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.

26. 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:

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

27. Starting with the 2015 calendar year, ERI must be reported by four weighted source categories:

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

28. This section provides the definition of income categories that underpin the reporting and weighting of ERI from 2015.

NZ government contestable funding and NZ public sector contract research

29. 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.

30. '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>).
31. 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.
32. TEOs will in some cases need to make judgements when classifying their ERI into these two categories.

NZ non-government income

33. 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.

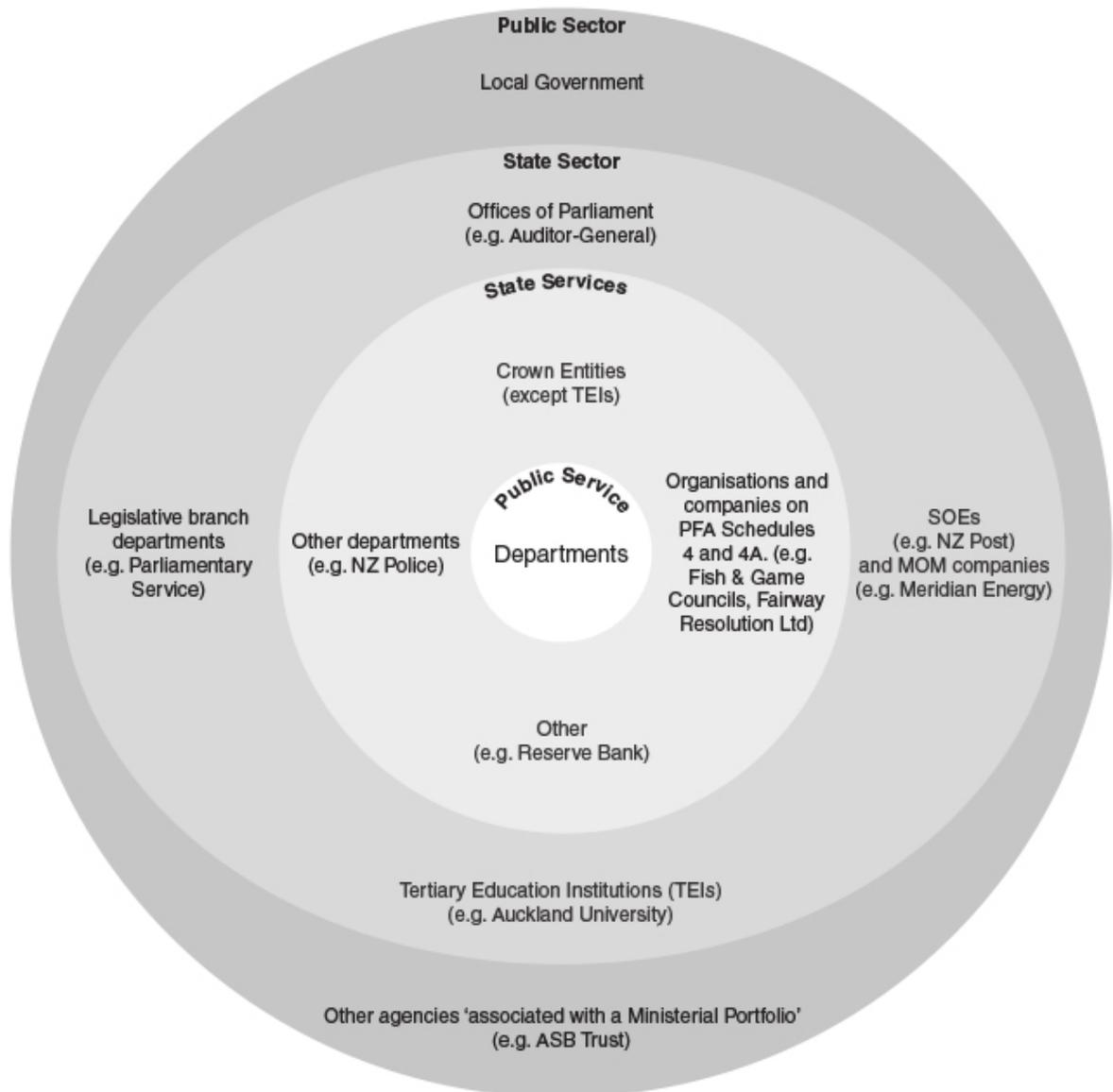
Overseas research income

34. 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

35. ERI declarations using these categories will be submitted for the first time on 31 May 2016. These declarations will relate to the 2015 calendar year.
36. The new weightings will affect the calculation of TEO's PBRF funding allocations from the 2017 calendar year onwards, when 2015 ERI performance information

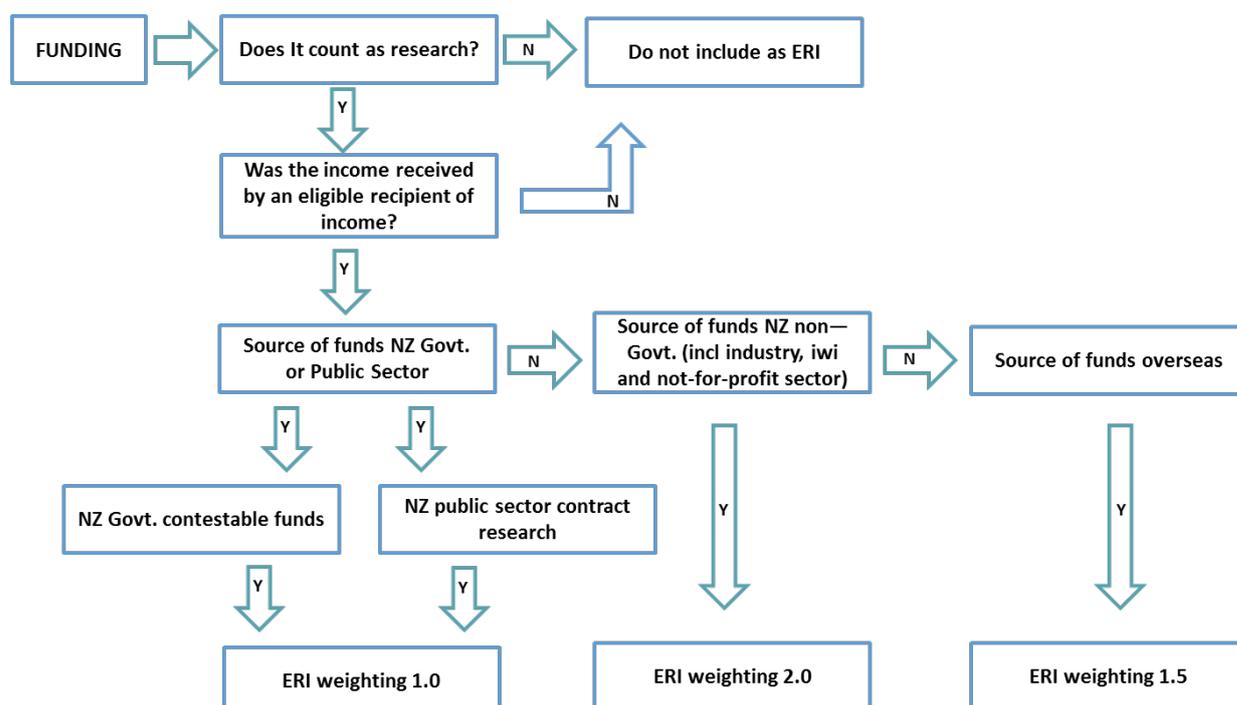
starts to inform funding. By 2019, all of the ERI component will be allocated based on ERI weighted by source.

37. The proportion of PBRF allocated via the ERI measure will also increase from 15% to 20% in 2016.
38. TEC will publish information about ERI by funding source in the PBRF Annual Report.

Evidence of funding source

39. 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.
40. 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.
41. 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.
42. 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

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

Entity	Responsibilities
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 measure

44. The ERI measure 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

45. Declarations are due by 31 May each year.

Preparing for the collection of ERI information

46. 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?