

DETERMINATION OF DESIGN OF FUNDING MECHANISM: PERFORMANCE-BASED RESEARCH FUND

PRELIMINARY PROVISIONS

Introduction and Statutory Authority

1. This determination, which is made under section 419 of the Education and Training Act 2020 (the Act), specifies the design of the funding mechanism for the Performance-Based Research Fund (PBRF).

Purpose

2. The purpose of the PBRF is to increase the quality of research by rewarding and encouraging research excellence.
3. The primary objectives of the PBRF are to:
 - a. increase the quality of basic and applied research at Aotearoa New Zealand's degree-granting tertiary education organisations (TEOs);
 - b. support world leading research-led teaching and learning at degree and postgraduate levels;
 - c. assist Aotearoa New Zealand's TEOs to maintain and lift their competitive rankings relative to their international peers;
 - d. provide robust public information to stakeholders about research performance within and across TEOs; and
 - e. support a robust and inclusive system for developing and sustaining research excellence in Aotearoa New Zealand.
4. In doing so, the PBRF will also:
 - a. support the development of postgraduate student researchers and new and emerging researchers;
 - b. support research activities that provide economic, social, cultural, and environmental benefits to Aotearoa New Zealand, including the advancement of mātauranga Māori; and
 - c. support technology and knowledge transfer to Aotearoa New Zealand businesses, iwi and communities.
5. The governance of the PBRF is guided by the following principles:
 - a. Partnership: the PBRF should reflect the bicultural nature of Aotearoa New Zealand and the special role and status of Te Tiriti o Waitangi;
 - b. Equity: different approaches and resources are needed to ensure that the measurement of research excellence leads to equitable outcomes;
 - c. Inclusiveness: the PBRF should encourage and recognise the full diversity of

epistemologies, knowledges, and methodologies to reflect Aotearoa New Zealand's people;

- d. **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;
- e. **Respect for academic traditions:** the PBRF should operate in a manner that is consistent with academic freedom and institutional autonomy;
- f. **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;
- g. **Continuity:** changes to the PBRF process should only be made where they can bring demonstrable improvements that outweigh the cost of implementing them;
- h. **Differentiation:** the PBRF should allow stakeholders and the government to differentiate between providers and their units on the basis of their relative quality;
- i. **Credibility:** the methodology, format, and processes employed in the PBRF must be credible to those being assessed;
- j. **Efficiency:** administrative and compliance costs should be kept to the minimum, consistent with a robust and credible process;
- k. **Transparency:** decisions and decision-making processes must be explained openly, except where there is a need to preserve confidentiality and privacy; and
- l. **Complementarity:** the PBRF should be integrated with new and existing policies, such as Investment Plans, and quality assurance systems for degrees and degree providers.

On-plan Funding

6. The Tertiary Education Commission (TEC) must pay funding allocated through this funding mechanism under section 425 of the Act.

PART ONE: THE FUNDING MECHANISM

General Parameters

Available Funding

7. The total amount of PBRF funding to be allocated will be set through the Government's annual budget processes.

Funding Components and Rates

8. The TEC must pay funding under this funding mechanism to each eligible TEO at a rate determined annually.

9. The amount of funding that the TEC may provide to a TEO will be based on the following three components:
 - a. the Quality Evaluation (QE) - a periodic peer assessment of the research contribution of individual teaching and research staff in participating TEOs, noting that the last QE took place in 2018 and no further QEs will occur;
 - b. Research Degree Completions (RDC) - a measure of the number of research-based postgraduate degrees that are completed within participating TEOs; and
 - c. External Research Income (ERI) - a measure of income received by participating TEOs (and/or any wholly-owned subsidiaries) for the purposes of conducting research.
10. The TEC must divide the total amount of PBRF funding as follows:
 - a. QE- 55%;
 - b. RDC- 25%;
 - c. ERI- 20%.

TEO Eligibility

11. The TEC must only provide funding from the PBRF to TEOs that:
 - a. are based in Aotearoa New Zealand;
 - b. grant bachelor's degrees, master's degrees, or doctoral degrees;
 - c. have an approved investment plan; and
 - d. receive funding under the *Delivery at Levels 7 (degree) to 10 on the New Zealand Qualifications and Credentials Framework* funding mechanism.
12. A TEO that seeks funding from the PBRF must participate in all three components (i.e., the QE, RDC, and ERI), even if their funding entitlement to one or more components is zero, or likely to be zero.
13. If a PBRF-eligible TEO did not participate in the latest QE/QE 2018, the TEO is ineligible for to receive funding through the RDC and ERI components until the next QE.

Minimum Allocation for Te Pūkenga

- ~~14. Subject to paragraph 12, the TEC will ensure that the proportion of QE component funding received by Te Pūkenga following the next QE is at least 90% of the allocation Te Pūkenga received based on the scores of the Institutes of Technology and Polytechnics (ITPs) in the 2018 QE. The TEC will determine the dollar value of the allocation once it has the results of the next QE.~~

Quality Evaluation

Evidence Portfolios

~~15-14.~~ Subject to paragraph 189(b), each TEO must ensure that eligible TEO staff (as determined by paragraph 167) provide an Evidence Portfolio that sets out information on their research performance. The evaluation of Evidence Portfolios in the QE will be the responsibility of subject-based external peer review panels, comprised of experts in their fields.

~~16-15.~~ An Evidence Portfolio comprises an 'Examples of Research Excellence' section, including an 'Other Examples of Research Excellence' section, and a 'Contributions to the Research Environment' section. QE 2026 will not take place. Any changes to Evidence Portfolio design will be considered after the University Advisory Group (UAG) process and any subsequent Government decisions.

Staff Eligibility

~~17-16.~~ The TEC must ensure that each TEO only includes the Evidence Portfolio of a staff member in the QE if:

- a. the staff member is employed by the TEO on the staff census date under a contract of salaried employment with a duration of at least one year;
- b. the staff member is employed at a minimum of 0.2 full-time equivalent (FTE) during the period of the contract of salaried employment;
- c. the staff member's employment functions included a substantive contribution to research and/or teaching degree-level programmes; and
- d. the staff member is not based overseas.

~~18-17.~~ The TEC must establish criteria for determining:

- a. what is a "substantive contribution to research and/or teaching degree-level programmes" for the purposes of paragraph 167(c); and
- b. when a staff member is considered to be "based overseas" for the purposes of paragraph 167(d).

Submitting Evidence Portfolios

~~19-18.~~ The TEC must require that:

- a. TEOs indicate when an Evidence Portfolio is being submitted in respect of an eligible staff member who is a new and emerging researcher; and
- b. if a TEO considers that an Evidence Portfolio is likely to be assigned a quality category of R or R(NE), the TEO will not submit that Evidence Portfolio.

~~20-19.~~ The TEC must establish criteria for determining when an eligible staff member can be considered to be a "new and emerging" researcher for the purposes of paragraph 189(a).

Evaluation of Evidence Portfolios

21-20. The TEC must use the QE process to allocate one of the following quality categories to each Evidence Portfolio:

- a. Category A;
- b. Category B;
- c. Category C;
- d. Category C(NE);
represents a quantum of research activity and quality by a new and emerging researcher at a level which is sufficient for recognition for funding purposes;
- e. Category R; or
represents a quantum of research activity and quality at a level which is insufficient for recognition for funding purposes;
- f. Category R(NE)
represents a quantum of research activity and quality by a new and emerging researcher at a level which is insufficient for recognition for funding purposes.

22-21. The quality categories C(NE) and R(NE) will only be available in respect of Evidence Portfolios provided for new and emerging researchers.

Funding

23-22. The TEC must develop a process for calculating PBRF funding on the basis of the QE, using the following criteria:

- a. the total number of eligible TEO staff whose Evidence Portfolios have been allocated a quality category of A, B, C, or C(NE);
- b. the full-time equivalent status of those staff members with Evidence Portfolios that have been allocated a quality category of A, B, C, or C(NE); and
- c. the subject areas of the Evidence Portfolios.

24-23. The quality categories must be reflected as numerical quality scores as follows:

Quality category	Numerical quality score
Category A	5
Category B	3
Category C	1
Category C(NE)	2
Category R or R(NE)	0

~~25-24.~~ The subject areas must be given cost weightings as follows:

Subject areas	Cost weightings
Arts, Social Sciences, Business, Accountancy, Law, Teaching	1
Science, Computing, Nursing, Music, Fine Arts	2
Engineering, Agriculture, Architecture, Audiology, Veterinary Science, Medicine, Dentistry, Specialist Large Animal Science	2.5

~~Implementation of the following funding allocation weightings was planned for QE 2026 but this will not take place. Any weightings given to Evidence Portfolios considered by either the Pacific Research or Māori Knowledge and Development panel will be considered after the UAG process and any subsequent Government decisions.:~~

Evidence Portfolios considered by the following panels	Cost weightings
Pacific Research	2.5
Māori Knowledge and Development	3

~~26-25.~~ The TEC must allocate funding for QE based on the proportion of the total number of staff at participating TEOs whose Evidence Portfolios have been allocated a quality category of A, B, C and C(NE), weighted by the numerical quality scores, full time equivalent status of the staff members, and the cost weightings for different subject areas.

~~27. Additional funding weightings for Māori and Pacific staff members will be considered after the UAG process and any subsequent Government decisions.~~

Research Degree Completions

Calculating RDC

~~28-26.~~ The TEC must ensure that each TEO calculates completions of research-based postgraduate degrees in units of equivalent full-time student (EFTS). One (1.0) EFTS unit is defined as the student workload that would normally be carried out by a student enrolled full-time in a single academic calendar year.

~~29-27.~~ The TEC must only allocate funding for completions of research-based postgraduate degrees that have a significant, externally-assessed, wholly-research component (at least 0.75 EFTS).

Funding

~~30-28.~~ The TEC must develop a process for calculating PBRF funding on the basis of RDCs, using the following criteria:

- a. the volume of research in each research-based postgraduate degree;
- b. the relative costs of the subject area of each research-based postgraduate

degree, in accordance with the subject-area weightings in paragraph 245; and

- c. if applicable:
 - i) an equity weighting of 2 added to the subject-area weighting for RDCs completed by Māori or Pacific researchers; or
 - ii) a strategic weighting of 4 added to the subject-area weighting for a RDCs in which the content is entirely written in te reo Māori.

31-29. The TEC must allocate funding for RDCs based on the proportion of research-based postgraduate degrees completed at participating TEOs, weighted by research volumes, relative costs of the subject areas, and any equity or strategic weightings.

External Research Income

Sources of ERI

32-30. External research income includes income from public and private sources for research conducted by an eligible TEO (and/or a wholly-owned subsidiary) and includes research income from competitive sources within Vote Tertiary Education (excluding PBRF).

33-31. The TEC must ensure that each TEO reports eligible ERI, broken down into the following sources:

- a. Aotearoa New Zealand government contestable funds;
- b. Aotearoa New Zealand public sector contract research;
- c. Aotearoa New Zealand non-government income; and
- d. overseas research income.

Funding

34-32. The TEC must develop a process for calculating PBRF funding on the basis of ERI, with the following weightings taking effect for ERI received by TEOs prior to from between 1 January 2023² and 1 January 2026, according to the following weightings by income source as follows:

Sources of external research incomes	Weightings
Aotearoa New Zealand government contestable funds and Aotearoa New Zealand public sector contract research	1
<u>Aotearoa New Zealand public sector contract research</u>	<u>1</u>
Non-Government income within Aotearoa New Zealand	4
Overseas research income	3.5

33. The following weightings must take effect for ERI received by TEOs from 1 January

2026, according to the following weightings by income source as follows:

<u>Sources of external research incomes</u>	<u>Weightings</u>
<u>Aotearoa New Zealand government contestable funds</u>	<u>1</u>
<u>Aotearoa New Zealand public sector contract research</u>	<u>3</u>
<u>Non-Government income within Aotearoa New Zealand</u>	<u>6</u>
<u>Overseas research income</u>	<u>3.5</u>

34. The ERI weighting changes in paragraph 33 above will be applied first to the data for 20262 that will be reported by TEOs to the TEC in 20273. This ERI data will start to determine funding allocated from the indicative allocations for the 20285 calendar year. Any ERI data reported by TEOs for years prior to 20262 will continue to be weighted at the rates set out in paragraph 323 above.

35. ~~the 2014 PBRF funding determination, which are also set out in the table below:~~

<u>Sources of external research incomes</u>	<u>Weightings</u>
Aotearoa — New — Zealand — government contestable funds and Aotearoa — New Zealand public sector contract research	4
Non-Government — income — from — within Aotearoa New Zealand	2
Overseas research income	1.5

36-35. The TEC must allocate funding for ERI based on the proportion of total ERI earned by participating TEOs, weighted by funding source.

PART TWO: FUNDING CONDITIONS

General conditions that the TEC must attach to funding

37-36. The TEC must impose the following specific conditions on funding provided to each TEO under this funding mechanism.

Tertiary Education Organisations

38-37. The TEC must attach a condition that TEOs that receive funding from the PBRF under this funding mechanism must continue to meet all the eligibility criteria specified in paragraphs 11 to 13 of this funding mechanism for the length of the funding period.

39-38. The TEC must attach a condition that TEOs that receive funding from the PBRF under this funding mechanism must:

- a. ensure that staff members included in the QE process meet the criteria specified at paragraph 167;

- b. comply with the requirements of paragraph 1~~89~~;
- c. calculate RDCs in accordance with paragraph 2~~69~~; and
- d. report their ERI in accordance with paragraphs ~~32~~-34.

Responsible Use of Funding

~~40-39.~~ The TEC must attach a condition that TEOs that receive funding under this funding mechanism must use the funding:

- a. lawfully and responsibly; and
- b. in a manner consistent with the appropriate use of public funds.

Recovery of funding

~~41-40.~~ The TEC must attach to funding a condition that if a TEO receives funding under this funding mechanism that is greater than it should have been, or that it was not entitled to receive, the TEO must treat the amount of the over-funding as a debt due to the Crown that:

- a. is repayable on demand; and
- b. may be set-off against all or any funding, or any sum of money payable by the TEC to the TEO.

~~42-41.~~ The TEC must provide the TEO with reasonable notice before exercising its right to demand repayment or set-off the debt against all or any funding.

TEC Administrative Responsibilities

~~43-42.~~ If a TEO receives funding under this funding mechanism that is less than it should have been, or less than it was entitled to receive, the TEC must treat the amount of the under-funding as a credit and pay the amount as soon as is reasonably practicable.

Repayment of funding following revocation of funding approval

~~44-43.~~ The TEC must attach to funding a condition that if, in accordance with clause 16, Schedule 18 of the Act, the TEC suspends, revokes, or withdraws some or all of a TEO's funding paid under this funding mechanism before that funding has been used or contractually committed towards the purposes for which that funding was provided, then the TEO must treat the unexpended or uncommitted portion of the funding as a debt due to the Crown that:

- a. is repayable on demand; and
- b. may be set-off against all or any funding, or any sum of money payable by the TEC to the TEO.