

DETERMINATION OF DESIGN OF FUNDING MECHANISM: TERTIARY RESEARCH EXCELLENCE 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 Tertiary Research Excellence Fund (TREF).
2. This determination applies to funding allocated through this funding mechanism from 2029 onwards (and to any earlier data collected to support the allocation of that funding).

Purpose

3. The purpose of the TREF is to efficiently allocate research capacity funding in order to:
 - a. incentivise research activity which leads to economic and social benefits for New Zealand;
 - b. incentivise tertiary education organisations (TEOs) to support excellence across the breadth of research activity in New Zealand;
 - c. support TEOs to deliver quality research-led teaching; and
 - d. support research capacity and capability, including a future-proofed research workforce.
4. In order to fulfil that purpose, the TREF should also provide robust and useful public information on research performance.

On-plan Funding

5. The Tertiary Education Commission (TEC) must pay funding allocated through this funding mechanism in accordance with section 425 of the Act.

PART ONE: THE FUNDING MECHANISM

General Parameters

Available Funding

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

Funding Components and Rates

7. The TEC must pay funding under this funding mechanism to each eligible TEO at a rate determined annually. The amount of funding allocated to each participating TEO is to be calculated based on their relative annual performance in each component. For each component, a rolling three-year weighted average will be used to calculate each TEO's funding allocation. The TEC will determine how to weight the data across these three years, and how to calculate the initial weightings for those components in the first instance (i.e. if less than three years of data is available).

8. The proportion of funding that the TEC must allocate under each component is set out in the table below:

Component	Proportion of total fund allocated under this component
External Research Income	25%
Research Degree Completions	30%
Field-Weighted Citation Measure	30%
Commercialisation	7.5%
Policy Impact	5%
Research Capacity	2.5%

TEO Eligibility

9. The TEC must only fund a TEOs under this funding mechanism if that TEO:
- is based in Aotearoa New Zealand;
 - is accredited to grant bachelor's degrees, master's degrees, or doctoral degrees;
 - has an approved investment plan;
 - has a research section in its investment plan that meets the criteria determined by the TEC; and
 - receives funding under the *Delivery at Levels 7 (degree) to 10 on the New Zealand Qualifications and Credentials Framework* funding mechanism.

Allocation of funding

10. For eligible TEOs that are universities, the TEC will determine an allocation of funding under this funding mechanism based on the university's performance in all components except for the Research Capacity component.
11. Subject to paragraph 12, for eligible TEOs that are not universities, the TEC will determine an allocation of funding under this funding mechanism based on the TEO's performance in the following three components: Research Capacity, External Research Income and Research Degree Completions.
12. An eligible TEO that is not a university may opt into the components that apply to universities, as described in paragraph 10. The TEC must identify a process and timeline for any TEOs interested in this alternative approach.

Field-Weighted Citation Measure Component

13. The purpose of the Field-Weighted Citation Measure (FWCM) component is to recognise quality, relevance, and intensity of research activity. It is intended to measure the impact of publications, calculated at an organisational level. It is calculated based on a research output and citations database/s, to be chosen by the TEC. In developing the measure for this component, the TEC must:

- a. use Australian and New Zealand Standard Research Classification (ANZSRC) subject area codes;
 - b. include a mechanism to address potentially distortionary effects of multi-authored outputs; and
 - c. use the number of research outputs in the chosen research database as the sizing denominator for calculating FWCM funding allocations.
14. Based on research output and citations data, the TEC must calculate an annual FWCM component performance score for each eligible university, and any other eligible TEO that opts in, and then use these scores to calculate annual funding.
 15. The TEC will determine the best way to apply rolling three-year weightings as described in paragraph 7, once research output and citations database/s have been selected.
 16. This component applies to funding for universities, and to funding for TEOs who opt in to the allocation method applied to universities under the process described in paragraph 12.

Commercialisation Component

17. The purpose of the Commercialisation component is to measure activity leading to research commercialisation, and to support commercialisation activities within TEOs.
18. The TEC must allocate this component based on the following measures from the Commercialisation Outcomes Measurement Framework (collected by the Ministry for Business, Innovation and Employment):
 - a. Measure 5: Gross revenue generated from intellectual property transaction deals; and
 - b. Measure 6: Follow-on capital raised for spin outs and start-ups.
19. The measures described in paragraph 18 will be equally weighted.
20. Based on these measures, the TEC must calculate an annual Commercialisation component performance score for each eligible university, or other eligible TEO that opts in, and use these scores to calculate proportional annual funding using the rolling three-year weightings as described in paragraph 7.
21. This component applies to funding for universities, and to funding for TEOs who opt in to the allocation method applied to universities under the process described in paragraph 12.

Policy Impact Component

22. The purpose of the Policy Impact component is to measure the impact of publications on public policy. For the purposes of this component, 'public policy' will be understood broadly to include documents produced by local and national government agencies, third sector, and other organisations in New Zealand and internationally.
23. The TEC will calculate this component based on a research output database, to be chosen by the TEC, and will measure research output citations in policy documents. The TEC will determine a research output eligibility period that sets out the maximum

number of years prior to citation in a policy document that an output can have been published.

24. Based on this data, the TEC must calculate an annual Policy Impact component performance score for each eligible university, or other TEO that opts-in, and then use this score to calculate proportional annual funding using the rolling three-year weightings described in paragraph 7.
25. The TEC will determine the best way to apply rolling three-year weightings as described in paragraph 7, once research output and citations database/s have been selected.
26. This component applies to funding for universities, and to funding for TEOs who opt in to the allocation method applied to universities under the process described in paragraph 12.

Research Degree Completions Component

27. The Research Degree Completions (RDCs) component recognises research-led teaching and development of the research workforce. 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.

Calculating RDC

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

Funding

30. The TEC must develop a process for calculating TREF funding on the basis of RDCs, using the following criteria:
 - a. the volume of research in each research-based postgraduate degree;
 - b. the subject area weightings that apply to each research-based postgraduate degree, in accordance with the table below; 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 RDCs in which the content is entirely written in Te Reo Māori.
31. RDC component funding allocations must be calculated annually using the rolling three-year weightings as described in paragraph 7.

Delivery Classification	Funding category	RDC Weighting
4.0 Business; Accountancy; Office Systems/Secretarial; Management	J	1
19.1 Teaching: Early Childhood Education Recognised Degree/Diploma of Teaching	I	
19.2 Teaching: Primary		
20.0 Teaching: Secondary and Specialist Recognised Degree/Diploma of Teaching		
43.0 Mathematics	D	1.5
3.0 Arts; Advanced Studies for Teachers; Health Therapies; Humanities; Languages; Social Sciences	A	
5.2 General Education		
14.0 Law	J	
3.1 Osteopathy; Acupuncture	L	2
6.0 Computer Science	B	
17.0 Health Related Professions		
18.0 Science	V	
42 Mātauranga Māori and Te Reo Māori	W	
1.0 Agriculture; Horticulture	H	2.5
2.0 Architecture; Quantity Surveying	C	
7.0 Dentistry (Excluding intermediate)	G	
11.0 Engineering; Technology	C	
11.1 Priority Engineering	N	
11.2 Pilot Training	M	
13.0 Health Sciences (excluding classifications #07, #15, and #17);	C	
13.1 Optometry	X	
15.0 Medicine (Excluding intermediate/first year)	G	
23.0 Veterinary: For a BVSc and Postgraduate study from a BVSc qualification excluding intermediate	Q	
35.0 Audiology	C	
36.0 Dietetics	N	
39.0 Specialist Large Animal Science	H	
12.0 Fine Arts; Design	B	4
16.0 Music and Performing Arts		

External Research Income

Sources of External Resource Income

32. External Research Income (ERI) 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 this funding mechanism and the Performance-Based Research Fund).

33. 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. The TEC must develop a process for calculating TREF funding on the basis of ERI. The following weightings by income source must take effect for ERI received for the period 1 January 2025 to 31 December 2025:

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

35. The following weightings by income source must take effect for ERI received by TEOs from 1 January 2026:

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

36. The TEC must allocate funding for ERI annually based on the proportion of total ERI earned by participating TEOs, weighted by funding source, and using rolling three-year weightings as described in paragraph 7.

Research Capacity Component

37. The purpose of the Research Capacity component is to reflect TEOs' investment in research capacity. It applies to eligible polytechnics, Wānanga, and private training establishments, unless they have chosen to opt-in to the allocation method applied to universities under the process described in paragraph 12.

38. The TEC must ensure that each eligible TEO calculates the proportion of contracted and/or committed time that its academic staff spend on research and/or knowledge exchange.

39. The TEC must ensure that each eligible TEO only submits research capacity time for staff members that:
- a. are employed by the TEO on the staff census date under a contract of salaried employment with a duration of at least one year;
 - b. are employed at a minimum of 0.2 full-time equivalent (FTE) during the period of the contract of salaried employment;
 - c. have employment functions that include a substantive contribution to research and/or knowledge exchange activities; and
 - d. are not based overseas.
40. The TEC must establish criteria for determining:
- a. what is a "substantive contribution to research and/or knowledge exchange" for the purposes of paragraph 39(c); and
 - b. when a staff member is considered to be "based overseas" for the purposes of paragraph 39(d).
41. Research Capacity component funding allocations must be calculated annually using rolling three-year weightings as described in paragraph 7.

PART TWO: FUNDING CONDITIONS

General conditions that the TEC must attach to funding

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

Tertiary Education Organisations

43. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must continue to meet all the eligibility criteria specified in paragraph 9-12 of this funding mechanism for the length of the funding period.
44. The TEC must attach to funding a condition that a TEO that receives funding under this funding mechanism must:
- a. calculate RDCs in accordance with paragraph 30;
 - b. report their ERI in accordance with paragraph 33; and
 - c. report their Research Capacity in accordance with paragraph 39.

Responsible Use of Funding

45. The TEC must attach to funding a condition that a TEO that receives 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

46. 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.
47. The TEC must provide the TEO with reasonable notice before exercising its right to demand repayment or offset the debt against all or any funding.

TEC Administrative Responsibilities

48. 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

49. 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 offset against all or any funding, or any sum of money payable by the TEC to the TEO.