The Sustainable Research Excellence (SRE) Initiative is designed to increase the funding provided to support the indirect costs incurred when undertaking Australian Competitive Grant sponsored research and to achieve excellence on a sustainable basis for those universities that have a capacity to deliver internationally competitive outcomes. Three years of funding (2010-12) have now been provided under this initiative with some 72 percent of available funding being allocated to the group of eight (Go8) universities. Only seven universities have increased their SRE relative competitiveness since 2010. The indirect research cost funding has increased from 18 cents per ACG dollar in 2008 to 30 cents in 2012. Furthermore, for the first time in 2012 a major component of the SRE funding (SRE threshold 2) was allocated taking account of the outcomes from the 2010 Excellence in Research for Australia (ERA) exercise, the cost effectiveness of research delivery and the compact profile-like negotiations with individual universities. The result was that 85 percent of this SRE component was allocated to the Go8 universities in 2012. For future years it is anticipated that under this scheme there will be further concentration of Australia’s research effort in universities consistent with government policy objectives.

Introduction

The Rudd Labor government announced in a 2009 policy paper entitled Transforming Australia’s Higher Education System a number of new initiatives to increase support for higher education activities. The policy reforms principally were in response to the Bradley and the Cutler reviews of various aspects of the Australian higher education system (Bradley, 2008, Cutler, 2008). One such research-related initiative was the Sustainable Research Excellence in Universities (SRE) Initiative designed to progressively increase the funding for the indirect costs of research from near 20 cents in 2010 for each dollar of direct research costs through the Australian Competitive Grants (ACG) Scheme to a target figure of 50 cents for each competitive research dollar sourced by 2014. It was planned for the new scheme by 2015 to replace the Research Infrastructure Block Grant (RIBG) scheme. The RIBG scheme has been in existence since 1996 with allocations based solely on the proportion of ACG income won by each university. An additional sum of $862 million has been committed by government to the SRE initiative in the five financial years 2009-10 to 2013-14 (DIISRTE, 2010). The first allocation was in 2010 and commitments that have been made or foreshadowed for subsequent years are as shown in table 1. The primary data used in this study is sourced from the DIISRTE website (DIISRTE 2012a)

### Table 1. Sustainable Research Excellence (SRE) and Research Infrastructure Block Grant (RIBG) Funding 2010 to 2014

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>SRE Allocations</td>
<td>$85.00m</td>
<td>$121.92m</td>
<td>$163.46m</td>
<td>$219m foreshadowed</td>
<td>$272.62m inferred by difference</td>
</tr>
<tr>
<td>Cumulative Growth</td>
<td>$85m</td>
<td>$206.92m</td>
<td>$370.38m</td>
<td>$589.38</td>
<td>$862m</td>
</tr>
<tr>
<td>RIBG</td>
<td>$216.81m</td>
<td>$220.28m</td>
<td>$228.65m</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The objective of the SRE beyond narrowing the gap between the real indirect costs of supporting ACG research and the amount provided by government was to achieve research excellence on a sustainable basis in universities that have the capacity to deliver competitive outcomes. In effect, the government was aiming to improve research ‘efficiency and effectiveness’ as promoted by the Commonwealth Tertiary Education Commission as far back as 1986 (Larkins 2011, p11) and to foster further ‘concentration and selectivity’ as advocated by the Dawkins’ Unified National System reforms of the early 1990s (Larkins 2011, p27). This year, 2012, is the first year that all elements of the new allocation policy have been implemented.

The central question that is examined in this article is whether the new scheme is delivering the outcomes expected by government.

Features of the SRE Scheme

Since 2011 SRE monies have been allocated each year to universities in three categories (DIISRTE, 2011). The designations for the funding and their proportions are SRE Base (20%), SRE Threshold 1 (13%) and SRE Threshold 2 (67%). The weighting appear arbitrary with one third directed at quantity and two-thirds directed at quality.

SRE Base allocations to universities are decided on their relative share of Category 1 ACG research income averaged for the most recent two years. This performance index is the same as for the RIBG allocations. All universities with some ACG income share in this funding. For 2012 some 95% or 39 of the 41 eligible institutions received some ACG income.

SRE Threshold 1 allocations are made to universities that have complied with the Excellence in Research for Australia (ERA) process and participated in the Transparent Costing Process\(^1\). Funding is allocated on the basis of the relative share of the Category 1 ACG research income up to $2.5 million. The outcome of this policy is that all universities with at least $2.5 million of ACG funding share in this funding. For 2012 some 74% or 29 of the 39 eligible institutions reached this threshold and therefore received an equal allocation. Other eligible universities received a lesser amount.

SRE Threshold 2 allocations are based upon the same eligibility criteria as for the threshold 1 allocations. Funding to universities for 2012 and beyond has two components. Some 40 per cent of funding is from the Transparent Costing (TC) pool and 60 per cent of the funding from the Excellence Index (EI) pool\(^2\). Only universities with more than $2.5 million in ACG grants are eligible to share in these funding pools. For each eligible university the relative share of the Category 1 ACG research income above $2.5 million is moderated by either the TC performance index or the EI performance index. The Compact negotiations held with universities have influenced the development of the allocation mechanisms. Details for the calculations of these indices are available on the DIISRTE website (DIISTE, 2011).

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\(^1\) The Transparent Costing Ratio is based on the cents expended by a university on indirect costs of ACG research to each ACG dollar received moderated by the normalized average FTE spent on ACG research.

\(^2\) The Excellence Index is based upon the performance of universities at the 4-digit discipline Fields of Research level in the 2010 ERA exercise (a 5 rating is weighted 7, a 4 rating 3 and a 3 rating 1) and a volume measure.
For 2012, the first year for the full operation of these indices, 29 institutions all with more than $2.5m ACG income shared this pool of funding.

**Funding Trends from 2010 to 2012**

The government is in the process of significantly increasing the amount of money available for allocation through the SRE initiative. The focus is on building internationally competitive sustainable research excellence as highlighted earlier. It is evident that the increase in SRE funding escalates quite rapidly: by 92.3 percent from 2010 to 2012, while in real terms the RIBG funding at best remains essentially constant (Table 1). Some 33 institutions increased the amount of funding they were allocated from the SRE program in 2012 compared with 2010, with eight institutions decreasing their funding despite the fact that the monies available increased by $78.46m. Only seven universities increased the proportion of SRE funds they obtained in 2012 compared with the 2010 allocations; i.e. increased their relative competitiveness. They were the Go8 universities with the exception of UWA; i.e. Sydney, UNSW, Monash, Melbourne, Queensland, Adelaide and ANU.

The percentage of SRE funding allocated to the various groupings of universities – Group of Eight (Go8), Innovative Research Universities Australia (IRUA) (7 universities), Australian Technology Network Universities (ATN) (5 universities) and the Unaligned Universities (UU) (21 universities) – from 2010 to 2012 is shown in table 2. The list of universities in the various groupings is given in appendix 1.

<table>
<thead>
<tr>
<th>University Group</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Go8</td>
<td>67%</td>
<td>71%</td>
<td>75%</td>
</tr>
<tr>
<td>IRUA</td>
<td>10%</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>ATN</td>
<td>7%</td>
<td>7%</td>
<td>5%</td>
</tr>
<tr>
<td>UU</td>
<td>16%</td>
<td>12%</td>
<td>11%</td>
</tr>
</tbody>
</table>

It is striking that the Go8 universities dominate the SRE allocations progressively increasing their proportion of funding from 67 percent in 2010 to 75 percent in 2012. This growth is principally as a result of the new policy criteria used to allocate the threshold 2 funding. All other groupings of universities have lost percentage based upon the SRE performance indices. The largest percentage loss is for the unaligned universities.
In the three year period a total of $370.4 million of new money has been distributed. The proportion of these funds received by each university grouping is shown in figure 1. A breakdown of those universities receiving one percent or more of the SRE money distributed in the 2010-12 period is presented in figure 2. Some 22 of the 41 eligible institutions are in this category. Melbourne with $52.25m (14.1%) received the largest share of the SRE money followed by Sydney with $44.34m (12.0%). Overall the Go8 received $265.7m (71.7%), IRUA $35.7m (9.6%), ATN $23.0m (6.2%) and UU $46.0m (12.4%). This outcome highlights the significant concentration of research resources into a few Australian universities.
Figure 2. Distribution of three years (2010-12) SRE funding ($m) to individual universities who received more than one percent of the available funds. Colours are in accordance with the groupings shown in Figure 1.

The 2012 SRE Threshold 2 Outcomes

This year, 2012, was the first year that the threshold 2 funding, which represent 67 percent of the SRE funding, was allocated taking account of both the Transparent Costing performance index and the Excellence performance index. This allocation totalled $109.5m in 2012 and it will increase substantially in future years. Analysis of this component of the funding provides a guide to the assessed performance of universities against the declared objective of achieving internationally competitive sustainable research excellence using research cost efficiency and ERA excellence parameters. The distribution of the threshold 2 funds went to 29 of the 41 eligible institutions. The percentage allocations to the various groupings of universities are shown in figure 3. It is of interest to compare the threshold 2 outcomes with the overall funding distribution for the past three years presented in figure 1 to gain an insight into the longer term trend. The Go8 group of universities has substantially increased their proportion of the
cost efficiency and excellence based funding to 85% compared with their overall allocation of 72% for the three years. All the other university groupings have markedly lost ground.

Continuation of this policy will result in further concentration of the Australian research effort. This development is viewed by many as essential for Australia to maintain international competitiveness. Details for the universities that are the main beneficiaries of the threshold 2 funding are given in figure 4. Some 14 universities receive $1.0m or more from this fund. There is a significant funding gap between the UWA and the other non Go8 universities. Melbourne is the dominant performer being rewarded with 17.6 percent of all the funding available – more than the total allocation to all non Go8 universities. If we project forward to 2013 and 2014 using the 2012 performances on a pro rata basis with the known funding available the Go8 universities will receive a further $369m of SRE funding over the next two years. This sum combined with the $266m already received means that over $634m of new money will have been provided to the Go8 for indirect research costs since 2010. This injection is a major boost to improving the quality and competitiveness of Australian university research.
A driving policy imperative for establishing the SRE initiative has been to provide more funding for the indirect research costs incurred by universities in supporting ACG sponsored research. RIBG and other research block grant funding progressively decreased throughout the 2000 to 2008 period to less than 20 cents for every ACG dollar received (Larkins 2011, p265). For 2012 the combined RIBG and SRE funding was $392.1m. This figure can be compared with the latest known 2010 ACG figure of $1,313.6m (DIISTRE, 2012b). Therefore, one can estimate that the funds provided on average are 29.8 cents for each ACG dollar. The government has taken a significant step in bridging the shortfall in provision of funding for the indirect costs of ACG research. Further investments beyond those foreshadowed to 2014 will be required to achieve the target figure of 50 cents.

International Research Policy Positions

Governments in some countries have chosen to identify a few universities as research-intensive and provided differential funding to promote excellence and international competitiveness. Australia has chosen a predominantly different path of providing equal access for all universities to performance-based funding programs on a competitive basis. The present policy of a competitive ‘market driven’ approach is leading to increased concentration of the national research effort into fewer universities consistent with government policy. The competitive bidding costs to individual universities to achieve this outcome are very high. The present approach may not be the most optimal way to obtain the desired returns on the national research investment. A broad policy discussion of the costs and benefits of current practices and possible alternatives is warranted.

Frank Larkins is Professor Emeritus in the School of Chemistry at the University of Melbourne. His current interests are in research, education and energy policy developments. He has recently published a book entitled Australian Higher Education Research Policies and Performance 1987-2010 (MUP 2011).

Previous articles published by Professor Larkins via the L.H. Martin website may be found at http://www.lhmartininstitute.edu.au/insights-blog/26-professor-emeritus-frank-larkins
References
Appendix 1. Australian Universities

Group of Eight Universities
The University of Sydney
University of New South Wales
Monash University
The University of Melbourne
The University of Queensland
The University of Western Australia
The University of Adelaide
The Australian National University

Innovative Research Universities Australia
University of Newcastle
La Trobe University
Griffith University
James Cook University
The Flinders University of South Australia
Charles Darwin University
Murdoch University

Australian Technology Network Universities
University of Technology, Sydney
Royal Melbourne Institute of Technology
Queensland University of Technology
Curtin University of Technology
University of South Australia

Unaligned Universities
Macquarie University
Southern Cross University
University of New England
University of Western Sydney
University of Wollongong
Deakin University
University of Ballarat
Melbourne College of Divinity
Swinburne University of Technology
Victoria University
Bond University
Central Queensland University
University of Southern Queensland
University of the Sunshine Coast
University of Notre Dame Australia
Charles Sturt University
Edith Cowan University

University of Tasmania
Batchelor Institute of Indigenous Tertiary Education
University of Canberra
Australian Catholic University