

# Hon Chris Hipkins

MP for Remutaka

Minister for COVID-19 Response

Minister of Education

Minister for the Public Service

Leader of the House



1 October 2021

Jenn Bestwick  
Chair  
Tertiary Education Commission  
PO Box 27-048  
Wellington 6141

Dear Jenn

## **Determination of Design of Funding Mechanism: Performance-Based Research Fund**

I am writing to advise you of a new Determination of the Design of Funding Mechanism: Performance-Based Research Fund, issued under section 419 of the Education and Training Act 2020 (the Act). The determination is set out in the appendix to this letter.

This determination replaces the previous determination issued in 2014 and provides direction to the Tertiary Education Commission (TEC) on the design of the Performance-Based Research Fund (PBRF), and high-level details on its operation. This letter lists the key changes in the determination and provides further direction and guidance on additional changes to the PBRF.

### ***Summary of changes***

Following a review of the PBRF, beginning in mid-2019, a number of changes were agreed by Cabinet earlier this year. The changes will improve the PBRF by:

- adding a new objective to the PBRF, to support a robust and inclusive system for developing and sustaining research excellence in Aotearoa New Zealand;
- refreshing the PBRF guiding principles to better reflect the partnership between the Crown and Māori, and to promote equity, diversity and inclusiveness;
- supporting Māori researchers and research by increasing the subject area weighting for Evidence Portfolios assessed by the Māori Knowledge and Development panel from 1 to 3 and applying a funding weighting of 2.5 for Evidence Portfolios submitted by Māori staff;
- supporting Pacific researchers and research in the PBRF by increasing the subject area weighting for Evidence Portfolios assessed by the Pacific Research panel from 1 to 2.5 and applying a funding weighting of 2 for Evidence Portfolios submitted by Pacific staff;
- providing certainty for Te Pūkenga in the next Quality Evaluation (QE) round by ensuring that the proportion of QE component funding received by Te Pūkenga following the 2025 QE is at least 90% of the allocation Te Pūkenga received based on the Institutes of Technology and Polytechnics' (ITPs) scores in the 2018 QE;
- amending the External Research Income component by increasing the weighting of the Overseas Research Income category from 1.5 to 3.5, and increasing the weighting for New Zealand Non-Government Income from 2 to 4, to better reflect non-governmental sources of income;

- broadening the PBRF definition of research by rewording the definition of research and research excellence, and making changes to Evidence Portfolios. This includes changes to better recognise and reward a broader range and diversity of research, and to better recognise collaboration and engagement;
- revising the Extraordinary Circumstances qualifying criteria to promote equity and inclusion; and
- simplifying the New and Emerging qualifying criteria.

This determination includes provisions that will give effect to a number of these changes. However, some of these changes are not included in the determination, either because they are of a detailed operational nature, fall outside the scope of the determination, or are subject to further review or change by the TEC before the next QE in 2025.

As agreed by Cabinet, I am directing the TEC, in consultation with the Sector Reference Group it has established for the 2025 QE, to design and implement the four changes detailed below.

### ***Rewording the PBRF definition of research***

The TEC is to redefine the PBRF definition of research and research excellence to encompass the production of research, engagement, and impact relating to that research; and support diverse research cultures. Expanding this definition of research is intended to:

- better support a broader range and diversity of research being recognised and rewarded by the QE;
- allow for a focus on quality rather than quantity;
- better recognise collaboration and engagement, particularly with end users; and
- emphasise excellence and promote inclusion.

Definitions of research and research excellence are not included in this funding determination. Instead, I will look to TEC to publish the reworded definitions (determined as above) in an appropriate, accessible location.

### ***Making changes to Evidence Portfolios***

The TEC is to make changes to the Evidence Portfolios submitted by staff in the QE to complement the new PBRF definition of research. This will involve design and implementation work across three aspects of Evidence Portfolios, by:

- replacing the Nominated Research Output section with an Examples of Research Excellence section;
- replacing the current Other Research Output section with an Other Examples of Research Excellence section; and
- reviewing the Research Contribution component with a view to complement the new Examples of Research Excellence section.

### ***Revising the Extraordinary Circumstances qualifying criteria***

The TEC is to revise the Extraordinary Circumstances qualifying criteria to:

- introduce a merit-relative-to-opportunity element to allow assessment of research quantity in ways that promote equity and inclusion;
- ensure the process collects and evaluates information in a sensitive way, and limits the number of people with access to this information;
- review and potentially remove the minimum threshold of three years;
- allow for part-time employment to be considered more deliberately throughout assessment, including potentially in this category; and
- take account of the negative impacts of COVID-19.

### ***Simplifying the new and emerging qualifying criteria***

The TEC is to simplify the New and Emerging qualifying criteria. Any changes should also align with the proposed changes to the PBRF definition of research.

### ***Operation and implementation***

I understand that the TEC has already appointed a Sector Reference Group for the 2025 QE, and in doing so considered how best to appoint a group that demonstrates a strong commitment to Māori-Crown partnership and comprises a diverse membership. I am directing the TEC to design and implement the above changes in consultation with this Sector Reference Group.

I am also directing the TEC to discontinue the reporting of Average Quality Score metrics for the next QE.

Under section 422 of the Act, it is the TEC's responsibility to develop the operational policy and practices needed to implement the PBRF.

Yours sincerely



**Chris Hipkins**  
Minister of Education

# 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 the Treaty of Waitangi / 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;
  - b. Research Degree Completions (RDC) - a measure of the number of research-based postgraduate degrees that are completed within participating TEOs;
  - 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 investment plan; and
  - d. receive Student Achievement Component funding.
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, the TEO is ineligible for 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 2025 QE is at least 90% of the allocation Te Pūkenga received based on the Institutes of Technology and Polytechnics' (ITPs) scores in the 2018 QE. The TEC will determine the dollar value of the allocation once it has the results of the 2025 QE.

## **Quality Evaluation**

### *Evidence Portfolios*

15. Subject to paragraph 19(b), each TEO must ensure that eligible TEO staff (as determined by paragraph 17) 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. An Evidence Portfolio will comprise an 'Examples of Research Excellence' section and an 'Other Examples of Research Excellence' section.

### *Staff Eligibility*

17. 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; and
  - 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; and
  - 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. 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 17(c); and
  - b. when a staff member is considered to be "based overseas" for the purposes of paragraph 17(d).

### *Submitting Evidence Portfolios*

19. 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. 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 19(a).

### *Evaluation of Evidence Portfolios*

21. 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. 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. 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. The quality categories must be reflected as numerical quality scores as follows:

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



25. The subject areas must be given cost weightings as follows (excluding Evidence Portfolios considered by the panels listed in the table at paragraph 26):

<b>Subject areas</b>	<b>Cost weightings</b>
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

26. To take effect for funding allocations based on the results of the 2025 QE, the following changes to cost weightings will be applied:

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

27. 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, the cost weightings for different subject areas, and the additional funding weighting for Māori and Pacific staff members.

28. Additional funding weightings for Māori and Pacific staff members will be applied as follows:

- a. a funding weighting of 2.5 for Evidence Portfolios submitted by Māori staff members; or
- b. a funding weighting of 2 for Evidence Portfolios submitted by Pacific staff members.

29. The TEC must establish how to determine who qualifies as a Māori staff member or a Pacific staff member for this purpose.

30. If a researcher qualifies as both a Māori staff member and a Pacific staff member, the higher weighting will apply.

### **Research Degree Completions**

#### *Calculating RDC*

31. 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.

32. 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*

33. 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; and
  - b. the relative costs of the subject area of each research-based postgraduate degree, in accordance with the subject-area weightings in paragraphs 25 and 26.
  - c. if applicable:
    - i) an equity weighting of 2 added to the subject-area weighting for RDCs completed by Maori 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.
34. 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*

35. 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).
36. 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**

37. The TEC must develop a process for calculating PBRF funding on the basis of

ERI, with the following weightings taking effect for ERI received from 1 January 2022, 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
Non-Government income within Aotearoa New Zealand	4
Overseas research income	3.5

38. The ERI weighting changes will be applied first to the data for 2022 that will be reported by TEOs to the TEC in 2023. This ERI data will start to determine funding allocated from the indicative allocations for the 2024 calendar year. Any ERI data reported by TEOs for years prior to 2022 will continue to be weighted at the rates set out in the 2014 Funding Determination which are also set out in the table below:

Sources of external research incomes	Weightings
Aotearoa New Zealand government contestable funds and Aotearoa New Zealand public sector contract research	1
Non-Government income from within Aotearoa New Zealand	2
Overseas research income	1.5

39. 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**

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

#### ***Tertiary Education Organisations***

41. 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.

42. 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 17;

- b. comply with the requirements of paragraph 19;
- c. calculate RDCs in accordance with paragraph 31; and
- d. report their ERI in accordance with paragraph 36.

### ***Responsible Use of Funding***

43. 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 Over-funding***

44. 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.
45. 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***

46. 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***

47. 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 and:
- 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.