



2017

Higher Education Research

Data Collection

Specifications for the collection of 2016 data

March 2017

TABLE OF CONTENTS

1. INTRODUCTION	1
1.1 PURPOSE	1
1.2 USE OF DATA	1
1.3 USE OF FUNDING	1
1.4 INFORMATION TO BE SUBMITTED	2
1.5 SUBMISSION DUE DATE	2
1.6 VERIFICATION MATERIAL	3
1.7 RELATED DOCUMENTS	3
1.8 FREEDOM OF INFORMATION ACT 1982	3
1.9 CONTACT DETAILS	3
2. KEY DIFFERENCES BETWEEN THE 2017 AND 2016 HERDC SPECIFICATIONS	4
3. DEFINITION OF RESEARCH	6
4. CATEGORIES 1 – 3 RESEARCH INCOME	8
4.1 General requirements	8
4.2 Inclusions and Exclusions	9
4.3 Income involving other parties	11
4.4 Transfers	12
4.5 Research income categories	12
5. CATEGORY 4: CRC RESEARCH INCOME	16
5.1 General requirements	16
5.2 Arrangements applying to the collection and certification of CRC research income	16
5.3 Eligible research income	16
5.4 Research income not eligible to be included	17
5.5 Breakdown by source category	17
5.6 Special cases	18
6. GLOSSARY	19

1. Introduction

1.1 Purpose

The Australian Government's provision of research block grant (RBG) funding to eligible higher education providers¹ (HEP) is enabled by the *Higher Education Support Act 2003* (HESA), which provides for "grants to support research by, and the research capability of, higher education providers" and "grants to support the training of research students".

The purpose of the 2017 Higher Education Research Data Collection (HERDC) Specifications is to provide guidance to HEPs and auditors on the requirements for providing 2016 research income data.

1.2 Use of data

The department uses the HERDC data in conjunction with data from the Higher Education Student Data Collection to determine HEPs' annual RBG amounts.

Information about the RBG, including program guidelines, conditions of grants and processes for calculating grants can be found on the department's website:

www.education.gov.au/research-block-grants

It is a condition of the grants that the materials required in section 1.4 of these Specifications be provided to the department by 30 June 2017.

Submitted HERDC data may be used to inform other analyses conducted by the department and provided to other government agencies.

HERDC data is published on the department's website at:

www.education.gov.au/higher-education-research-data-collection

1.3 Use of funding

The department's allocation of RBG to HEPs is independent of funding for individual research projects. HEPs have the autonomy to decide what projects, personnel, equipment and infrastructure that block grants should support across their research and research training activities.

The department does not intend that HEPs use the HERDC as the basis for their internal systems for allocating their research and research training funding. HEPs should develop their own internal allocation mechanisms.

¹ Eligible higher education providers are those institutions identified as Table A and Table B providers in sections 16-15 and 16-20 of the *Higher Education Support Act 2003*.

1.4 Information to be submitted

HEPs must provide research income returns data to the department along with a Vice-Chancellors Certification Statement and Audit Report.

Research Income Return

HEPs must provide research income received for the reference year. Data must be grouped into four categories:

- Category 1: Australian competitive grants
- Category 2: Other public sector research income
- Category 3: Industry and other research income
- Category 4: Cooperative Research Centre (CRC) research income

Vice-Chancellor certification statements

Vice-Chancellors (or equivalent) must certify that their HEPs Research Income Return is correct and has been compiled in accordance with this specification document.

Each HEP must supply one certification statement to the department. The format for this statement is provided with the submissions instructions detailed on the department's website (**section 1.7**).

Audit of research income

Each HEP must arrange for an audit of the category 1, 2, 3 and 4 research income in their respective Research Income Return and provide the department with a Special Purpose Audit Report under the Auditing and Assurance Standard Board's Auditing Standard ASA800, which clearly certifies that the research income recorded is correct.

In addition to ensuring that the research income reported by a HEP under its research income return is correct, the department's expectation is that the audit also ensures that research income:

- is attributed to activities that comply with the definition of research,
- is attributed to the correct category of research income, as per **Parts A and B**; and
- is identified by transparent and explicit transactions.

The audit should be conducted by an independent, external, qualified auditor (for example, a state auditor-general officer or certified public accountant). It may be conducted as part of an annual audit. For the audit of their HERDC returns, HEPs may prefer to use the same auditors that undertake the audit of their financial statements.

1.5 Submission due date

Material must be submitted according to the table below.

Material Required in the Return	Format of the Return	Due Date
Research Income Return	Electronic Submission	30 June 2017
Vice-Chancellor's Certification Statement		
Audit Report		

The instructions for electronic submission of the Research Income Return, Vice-Chancellor's Certification Statement and Audit Certificate (scanned version of the signed hard copy) are set out on the department's website (**section 1.7**). Submissions must be sent to:

RBGrants@education.gov.au

In the event that it is not possible to lodge this return by electronic submission, hard copy submissions can be sent to:

**HERDC Officer
Higher Education Research Data Collection (HERDC)
Research Funding and Policy Branch
Research and Economic Group
Department of Education and Training
GPO Box 9880
Canberra ACT 2601**

1.6 Verification material

HEPs must maintain verification material to demonstrate that research income (e.g. funding agreements, memorandums of understanding, letters of agreement, contracts, proof of acceptance of a tender or approval of an application for funding) meet the criteria against the categories being reported.

For the purposes of the HERDC, HEPs must retain verification material for a minimum of three years to facilitate any audit of research income data that may be conducted by, or on behalf of the department.

HEPs are advised to ensure that their relevant funding agreements and contracts are up to date, reflect the nature of the research activity being undertaken and the roles of the parties. Arrangements supported by email only (without supporting attachments) do not constitute appropriate verification material.

1.7 Related documents

This document should be read in conjunction with the following resources:

- *Instructions for electronic submission of HERDC returns.*

These resources are available on the department's website: <https://www.education.gov.au/higher-education-research-data-collection>.

1.8 Freedom of Information Act 1982

All documents sent to the department with regard to the HERDC are subject to the Freedom of Information Act 1982 (FOI Act). Unless a document falls under an exemption provision, it may be made available to the applicant, if requested, under the FOI Act. All freedom of information requests are to be referred to:

**The FOI Coordinator
Schools, Youth, Child Care and Corporate Legal Branch
Location Code: C50MA10 - LEGAL
GPO Box 9880
Canberra ACT 2601**

Decisions regarding requests for access to documents will be made by the department's authorised freedom of information decision-maker in accordance with the requirements of the FOI Act.

1.9 Contact Details

Queries concerning the HERDC and this document should be directed to:
RBGrants@education.gov.au.

2. Key differences between the 2017 and 2016 HERDC Specifications

2017 HERDC Specifications (for 2016 data)

The 2017 HERDC Specifications have been re-formatted slightly to improve readability.

Section 3 has been updated to reflect the new definitions of research and development in the 2015 Frascati Manual. The OECD modified definition is consistent with the previous definition. Inclusions have been updated to list pre-commercialisation activities. Exclusions have been updated to list other research commercialisation activities. The definition of HDR students has been updated to align with the definition used in the Commonwealth Scholarships Guidelines (Research) 2017.

Section 4.2 has been updated to clarify that funds provided specifically for attending a conference is excluded. The department considers this to also exclude funds provided to attend and present at a conference.

The 2017 HERDC return submission instructions will be finalised prior to the submission deadline of 30 June 2017. Due to system changes, the department is reviewing alternative forms to the 'Smart Forms' previously used to collect HERDC data and may implement another way to collect the data if the Smart Form functionality is not sufficient.

Changes to reporting requirements for 2017 data

The Government announced new research block grant arrangements for universities through the National Innovation and Science Agenda on 7 December 2015. The new arrangements replaced the previous six research block grants with two streamlined programs:

- Research Support Program (RSP) replaced the Research Infrastructure Block Grants, Joint Research Engagement and the Sustainable Research Excellence.
- Research Training Program (RTP) replaced the Australian Postgraduate Awards, International Postgraduate Research Scholarships and the Research Training Scheme.

Additional funding of \$50 million per annum indexed (\$180.4 million from 2016-17 to 2019-20) will reward industry engagement and assist transition to the new funding arrangements.

The new arrangements commenced on 1 January 2017.

The Government consulted with universities and other stakeholders on new guidelines and changes to reporting requirements in 2016. The guidelines were tabled in parliament in October 2016.

The changes to reporting requirements including changes to categories 2, 3 and 4 will be reflected in the 2018 HERDC Specification for the 2017 data year. These changes include:

- Removing domestic and international HDR fees from Category 3
- Changes the reporting of CRC income from financial year to calendar year
- Changes the subcategories of Categories 2, 3 and 4
- For category 2, local government income will be incorporated into the state sub-category. For each category of Commonwealth and State/Local government, the 2018 HERDC Specifications will differentiate between government commissioned research services (own purpose research) and from research supported where government is not the end user (other research).

The department consulted separately on these changes and changes to student data over the period of January to March 2017.

Affiliate income data

Section 4.3 of the 2017 HERDC Specifications remains unchanged and the department will continue to collect affiliate income separately in the 2017 HERDC return in anticipation of consultation with the sector, after the implementation of the new arrangements has been finalised.

3. Definition of Research

The term *research* is used throughout this specification document and is a short form for *research and experimental development*, often abbreviated as R&D. The HERDC definition of *research* is consistent with the OECD definition of research and experimental development (R&D) set out in the 2015 Frascati Manual and is therefore defined as:

‘creative and systematic work undertaken in order to increase the stock of knowledge – including knowledge of humankind, culture and society – and to devise new applications of available knowledge.’²

For an activity to be an R&D activity it must satisfy five core criteria:

1. To be aimed at new findings (novel),
2. To be based on original, not obvious, concepts and hypotheses (creative),
3. To be uncertain about the final outcomes (uncertain),
4. To be planned and budgeted (systemic), and
5. To lead to results that could be possibly reproduced (transferable and/or reproducible).³

The above definition encompasses pure and oriented basic research, applied research and experimental development.

Basic research is experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundations of phenomena and observable facts, without any particular application or use in view.

Pure basic research is carried out for the advancement of knowledge, without seeking economic or social benefits or making an active effort to apply the results to practical problems or to transfer the results to sectors responsible for their application.

Oriented basic research is carried out with the expectation that it will produce a broad base of knowledge likely to form the basis of the solution to recognised or expected current or future problems or possibilities.

Applied research is original investigation undertaken in order to acquire new knowledge. It is, however, directed primarily towards a specific, practical aim or objective (including a client-driven purpose).

Experimental development is systematic work, drawing on knowledge gained from research and practical experience and producing additional knowledge, which is directed to producing new products or processes or to improving existing products or processes.

Activities that support the conduct of research and therefore meet the above definition can include:

- professional, technical, administrative or clerical support staff directly engaged in activities essential to the conduct of research,
- management of staff who are either directly engaged in the conduct of research or are providing professional, technical, administrative or clerical support or assistance to those staff,
- the activities and training of HDR⁴ students enrolled at the HEP,
- the development of HDR training and courses,

²OECD (2015), *Frascati Manual 2015: Guidelines for Collecting and Reporting Data on Research and Experimental Development*, The Measurement of Scientific, Technological and Innovation Activities, OECD Publishing, Paris, pp 44-45

³*Ibid.* pp 46-48

⁴ Higher degree by research (HDR) training is training undertaken by students to achieve a Research Doctorate or Research Masters. A Research Doctorate means a Level 10 Doctoral Degree (Research) qualification as described in the Australian Qualifications Framework and a Research Masters means a Level 9 Masters Degree (Research) qualification as described in the Australian Qualifications Framework. Professional Doctorates may be included but only where two-thirds of the qualification is research.

- the supervision of students enrolled at the HEP and undertaking HDR training and courses,
- research and experimental development into applications software, new programming languages and new operating systems (such R&D would normally meet the definition of research),
- Prototype development and testing,
- Construction and operation of a pilot plant where the primary objective is to make further improvements,
- Trial production where there is full scale testing and subsequent further design and engineering,
- Phases I to III of clinical trials.

Activities that do not support the conduct of research must be excluded, such as:

- scientific and technical information services,
- general purpose or routine data collection,
- standardisation and routine testing,
- feasibility studies (except into research and experimental development projects),
- specialised routine medical care,
- literature reviews that are predominantly a summary of the current knowledge and findings of a particular research field or topic and do not include any critical assessment or report any new findings or original experimental work,
- commercial, legal and administrative aspects of patenting, plant breeders rights, copyright, material transfer agreements or intellectual property licensing, option and assignment activities,
- routine computer programming, systems work or software maintenance,
- Stages of product development that do not meet the five R&D criteria,⁵
- Pre-production development,⁶
- Market research,
- Construction of fully tested prototypes for marketing purposes,
- After sales service and trouble-shooting,
- Industrial engineering and design for production purposes,
- Artistic performance or expression,
- R&D financing and support services.

⁵ OECD (2015), *Frascati Manual 2015: Guidelines for Collecting and Reporting Data on Research and Experimental Development*, The Measurement of Scientific, Technological and Innovation Activities, OECD Publishing, Paris, pp 53-54

⁶ *Ibid.* pp 54

Part A

Part A provides the information necessary for HEPs to determine what can and cannot be included under Categories 1-3 of the HERDC Return.

For information on Category 4 (CRC research income) refer to Part B of this specification document.

4. Categories 1 – 3 Research Income

HEPs must provide information on all research income received in the reference year that falls into the following three categories:

- Category 1: Australian competitive grants
- Category 2: Other public sector research income
- Category 3: Industry and other research income

4.1 General requirements

Category 1-3 research income can only be included in a HEP's return if it meets all of the following principles:

- **It must be for activities consistent with the definition of research**
(See the definition of research in **section 3**).
- **It must be net receipted income, received in the reference year and recognised in a HEPs financial system as being related to the reference year**
Net receipted income is the amount of research income a HEP (or its subsidiary) retains in its accounting system after shared research income has been divided and/or third party income has been expended and/or distributed.
The reference year for Category 1, 2 and 3 research income is the 2016 calendar year and for Category 4 research income, the reference year is the 2015-16 financial year.
- **It must be consistent with a HEPs audited financial statements**
Research income must be reported in accordance with the *Financial Statement Guidelines for Australian Higher Education Providers* for the 2016 Reporting Period. It must be verified by and consistent with the HEP's audited financial statements unless exempt as income received from a CRC.

HEPs must notify the department if they intend to change the basis for reporting HERDC research income (i.e. change from accrual to cash reporting or vice versa) prior to submitting the HERDC Research Income Return (**section 1.5**).

- **It must only be counted once**
HEPs should apply the principle that no income is to be double counted, or included in the income returns for multiple years.
- **It must include any variations to research income previously reported**
HEPs may count research income for 2015 (Categories 1, 2 and 3) or 2014-15 (Category 4) only where the HEP has made a genuine omission of that income from its previous year's HERDC return and the HEP can verify to its auditor's satisfaction that the income has not been reported in the previous year's return. A HEP must reduce the research income reported for a particular category where research income received in an earlier year has been refunded.

4.2 Inclusions and Exclusions

The sections below provide guidance in respect of the net received research income that can be included and excluded from a HEP's research income return. These lists are not exhaustive and it is the department's expectation that HEPs work with their auditors in determining which research income can be reported. Additional guidance on income involving other parties is at section 4.3.

4.2.1. Net received income which can be included in the Research Income Return – Return 1

- stipends and scholarships for HDR students enrolled at the HEP, unless explicitly excluded below
- competitive, peer reviewed HDR student stipends and scholarships from non-Australian industry or non-Australian Government agencies
- income derived from the investment of donations, bequests and foundations
- income derived from the provision of research services (exclusive of GST)
- travel grants where funds are provided specifically for the purpose of travel and used to enable access to a program of research. Researchers using the funds are expected to be active participants in the research program, rather than observers or visitors
- funds provided for the conduct of clinical trials provided the purpose of the trial meets the definition of research
- research infrastructure grants (unless explicitly excluded below - this includes grants for specific and specialised equipment used for the conduct of research)
- income from overseas HEPs provided specifically for the conduct of research
- income used to manage staff directly engaged in the conduct of research or providing professional, technical or clerical support or assistance to those staff⁷
- income received in support of:
 - professional, technical, administrative or clerical support staff directly engaged in activities essential to the conduct of research⁸
 - the activities and training of HDR students enrolled at the HEP. This includes funds providing the cost of a student's HDR fee-paying place, but excludes Commonwealth supported places or places funded through the RTS. Funds include tuition fees that fee paying students (non-Commonwealth supported) pay to their HEP for a HDR program or HDR-related course of study
 - the development of HDR training and courses
 - the supervision of students enrolled at the HEP and undertaking HDR training and courses
 - research and experimental development into applications software, new programming languages and new operating systems (such R&D would normally meet the definition of research)
- where a HEP receives a general or untied grant from an Australian government (whether Commonwealth, state, territory or local) for the purposes of conducting research, the HEP may report the proportion of that grant that can be clearly and transparently attributed as to be expended on the direct costs of conducting research. HEPs must **exclude** indirect costs of conducting research to be expended from the grant.
- where a HEP receives income for the purposes of conducting research but also for activities that do not comply with the definition of research, the HEP may report the proportion of that grant that can be clearly and transparently attributed as to be expended on the direct costs of conducting research. HEPs must **exclude** indirect costs of conducting research to be expended from the grant.

⁷ See also Section 4.3, Income involving other parties; this includes where a HEP has made payments to a third party for goods and services in support of the conduct of research under the control of the HEP.

⁸ See note above.

4.2.2. Research income which is excluded in the Research Income Return – Return 1

- any income above the amount of net receipted income
- any research income received by the HEP from its subsidiaries⁹
- any research income received by the HEP from any other Australian HEP or its subsidiaries except in respect of shared research income (in accordance with **section 4.3 of Part A**) or transfers (in accordance with **section 4.4 of Part A**)
- any income received by a HEP or its subsidiaries for the rental and use of its facilities and accommodation, even if this is related to the conduct of research
- any third party income except for those instances specified in **section 4.3 of Part A**
- any scholarships or grants that are provided by the HEP for its own students
- income received in respect of fees that have been charged by a HEP to a domestic HDR student who has exhausted his/her RTS funding entitlement and has continued his/her enrolment
- income received in respect of Commonwealth contributions paid by the Australian Government directly to HEPs for Commonwealth supported places
- income received by honours students, or by HEPs on behalf of honours students, for the research component of their honours degrees, including externally funded scholarships or stipends
- in-kind contributions
- capital grants¹⁰
- income received from a general or untied grant from an Australian government (whether Commonwealth, state, territory or local) that cannot be attributed as to be expended on the direct costs of conducting research, even if the income was provided for research purposes. HEPs **must exclude** indirect costs of conducting research that are to be expended from the grant
- income received from government grants that are for other purposes which have been specified by the funding source or sponsor (such as teaching), even if a proportion of income is to be expended on the conduct of research at the HEP's discretion
- income received by HEPs from the sale of assets, even if that income is to be expended on the conduct of research at the HEP's discretion
- funds provided specifically for the purpose of hosting, organising or attending a conference, workshop or meeting
- funds provided specifically for the purpose of producing research publications (that is, for publishing research rather than conducting it)
- consultancy fees for projects that do not meet the definition of research
- interest income accruing to research grants and contract research grants
- research income received by independent operations which do not meet the definition of a subsidiary
- income provided for preparation for teaching
- funds used for:
 - scientific and technical information services
 - general purpose or routine data collection
 - standardisation and routine testing
 - feasibility studies (except into research and experimental development projects)
 - specialised routine medical care

⁹ A subsidiary is an entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent).

¹⁰ Capital grants are those grants provided to a HEP to purchase an asset of a durable nature, even if the asset is for the purpose of conducting research. Capital grants include grants for the construction and/or upgrade or refurbishment of buildings, centres or facilities, as well as purchase of properties or land. Capital grants are distinct from grants for research infrastructure. Grants for research infrastructure are considered to include grants for specific and specialised equipment which are used in the conduct of research.

- literature reviews that are predominantly a summary of the current knowledge and findings of a particular research field or topic and do not include any critical assessment or report any new findings or original experimental work
- commercial, legal and administrative aspects of patenting, copyright or licensing activities
- routine computer programming, systems work or software maintenance
- Grants or funding from the following Commonwealth programs:
 - Australian Research Council (ARC) Linkage-Infrastructure, Equipment and Facilities (LIEF)
 - Independent Research Institutes Infrastructure Support Scheme (IRIISS) grants
 - ARC's Research Networks scheme
 - Commonwealth Grant Scheme (CGS)
 - National Computational Infrastructure
- Grants from the following Department of Education and Training programs:
 - National Collaborative Research Infrastructure Strategy (NCRIS)
 - Collaborative Research Infrastructure Scheme (CRIS)
 - the Education Investment Fund (EIF)
 - Research Training Scheme (RTS)
 - Joint Research Engagement (JRE)
 - Sustainable Research Excellence (SRE)
 - Research Infrastructure Block Grants (RIBG)
 - Australian Postgraduate Awards (APA)
 - International Postgraduate Research Scholarships (IPRS)
 - Collaborative Research Networks (CRN)

4.3 Income involving other parties

Third party income

Net receipted income is intended to identify only the income that a HEP (or its subsidiary) receives for its own research activities.

Research income administered by a HEP on behalf of a third party research organisation where the third party conducts the research independently of the HEP, must be excluded.

Exceptions to this rule are:

- where the third party is a subsidiary of the HEP
- where the third party is an affiliate of the HEP
- where a HEP has made payments to a third party for goods and services in support of the conduct of research under the control of the HEP

Where HEPs have entered into formal employment arrangements with researchers in affiliated or partner organisations (external to the HEP), income that can be reported must be net receipted income and commensurable with the employment arrangements.

However, HEPs can report the total amount of income for a research project - even if the researcher(s) conducting the research project is partially employed by the HEP (i.e. the HEP pays a proportion of salary direct to the researcher or there is a formal legal relationship or agreement which covers employment) - as long as the HEP is the grant recipient and where that total amount of income is net receipted income (i.e. received, retained in the HEP's accounting system and verified in the HEP's audited financial statements).

Employment arrangements must be bona fide. HEPs must exclude that research income which is subject to cost reimbursement arrangements with affiliates or partner organisations (i.e. to reimburse

research costs, including researcher salaries) which are not explicitly covered within a formal legal relationship between the HEP and the external organisation.

Any third party affiliate income reported in accordance with section 4.3 and included in a HEP's Research Income Return must be reported separately from other university income in the 2017 return. HEPs should report all eligible income in the 'university' column of the form except any income reported in accordance with section 4.3 of this specification.

Shared income

A grant is considered shared research income if a component of the grant is passed from the primary recipient to another party, where that party is named in the contract/agreement for the grant or tender/application for funding. A party may be a HEP, the staff of a HEP, or another research performing organisation.

HEPs can only report the income received or retained following the distribution of shared research income.

Example

Where a shared research income grant exists, if HEP A receives a grant of \$50,000 of which \$20,000 is transferred to HEP B, HEP A should report \$30,000 and HEP B \$20,000.

4.4 Transfers

Where staff transfer into, exit from, or move between HEPs and carry research grant funding with them, this must be reflected in adjustments to the affected HEPs' income returns.

4.5 Research income categories

HEPs must enter all research income into Research Income Return - Return 1 according to the following four categories:

- Category 1: Australian competitive grants
- Category 2: Other public sector research income
- Category 3: Industry and other research income
- Category 4: CRC research income (**Part B**)

There is no separate category for income received through shared research arrangements. Shared research income should be assigned to the appropriate reporting category (according to the original source of the income).

HEPs are to manage the categorisation of research income correctly. It is suggested that HEPs nominate the appropriate HERDC income category (or categories) at the time that funding agreements, grants or contracts are executed. HEP faculties or departments should be provided with this information to help ensure that all income is coded to the correct HERDC income category for the duration of the funding.

Where HEPs have received funding from multiple sources for a research project, then funding must be apportioned to the correct category based on each funding source.

4.5.1. Category 1: Australian competitive grants

Category 1 consists only of net receipted income received from funding bodies for those research schemes and programs as registered on the 2017 Australian Competitive Grants Register (ACGR).

The ACGR is available through the department's website at:
www.education.gov.au/australian-competitive-grants-register.

Partner organisation contributions to grants awarded by schemes listed on the ACGR should not be reported in Category 1 regardless of whether the partner contributions were identified in an Australian Competitive Grant application or not. This income should instead be reported under the HERDC category relevant to the source of the funding.

Australian Competitive Grant applications are competitive funding applications that result in grants (income) from schemes listed on the ACGR.

4.5.2. Category 2: Other public sector research income

Category 2- Other public sector research income includes:

Australian government (– Non Category 1):

This relates to any other income for the purposes of conducting research received from the Australian Government; whether through programs, grants or contracts, that are not eligible for inclusion as Category 1 research income.

State or Territory government:

This is income received from state or territory government departments or agencies for the conduct of research; whether through programs, grants or contracts.

Local government:

This is income received from local government departments or agencies for the conduct of research; whether through programs, grants or contracts.

Income as set out below can be reported in Category 2.

Government business enterprises:

This is income for the conduct of research received from enterprises that are wholly or partly owned or funded by Commonwealth, state or territory, or local governments; have a board; and operate on a profit or cost-recovery basis.

Cooperative Research Centres:

This is research income from CRCs, where the reporting HEP has not been defined within the Commonwealth Agreement as "The Researcher" or a "Participant" (i.e. was not a signatory to the Commonwealth Agreement, a CRC Participants Agreement, or a Company Constitution during the reporting period).

Reporting of eligible general or untied income from government grants

HEPs are to report any eligible proportion of general or untied income received from government grants for the purposes of conducting research according to the source of that grant (i.e. whether Australian government - Non Category 1, State or Territory government, or Local government). HEPs must exclude indirect costs of conducting research to be expended from the grant.

4.5.3. Category 3: Industry and other research income

Category 3: Industry and other research income must be categorised in the following subcategories:

Australian

Contracts:

- contract research income provided by industry or other non-government agencies

Grants:

- grants for the conduct of research other than government provided grants (which should be reported in either Category 1 or Category 2).
- income received from syndicated research and development arrangements

Donations, bequests and foundations:

- donations and bequests for the conduct of research that have been received from Australian business, Australian non-profit organisations and Australian individuals

HDR fees for domestic students:

- funds received for providing the cost of a domestic student's HDR fee-paying place (but excluding Commonwealth supported places or places funded through the RTS). This includes tuition fees¹¹ that domestic fee paying students (non-Commonwealth supported) pay to their HEP for a HDR program or HDR-related course of study.

Many research income arrangements involve grants covered by a contract. In categorising funds as either contract research income or grant income, HEPs should regard:

- funding for research where the project was developed primarily by the funding agency, or jointly by the funding agency and the investigator(s) as contract research income
- funding for research where the project was developed primarily by the investigator(s) as grant income.

International A: Competitive, Peer-reviewed research grant income

- Competitive grants, peer reviewed grants for research from non-Australian industry or non-Australian Government agencies including non-Australian industry collaborative research grants.
- Grants that can be included are those where:
 - a) funds are provided on a competitive basis and are clearly for the conduct of research only; and
 - b) there is a well-defined mechanism for competition and selection by a well-qualified panel.
- Grants that are not eligible are those that provide:
 - a) grants in kind such as the use of facilities, equipment etc. or subsidised travel or accommodation; and
 - b) funding wholly or mainly for infrastructure purposes.

International B: Other income

- contract research provided by non-Australian industry or non-Australian Government agencies including non-Australian industry collaborative research grants
- non-competitive grants for research from non-Australian industry or non-Australian Government agencies including non-Australian industry collaborative research grants
- donations and bequests for conduct of research that have been received from non-Australian business, non-Australian not-for-profit organisations and non-Australian citizens

¹¹ Exclude fees that HEPs may charge domestic HDR students who exhaust their RTS funding entitlement and continue their enrolment as listed under section 4.2.2. Also exclude Commonwealth contributions paid by the Australian Government directly to HEPs for Commonwealth supported places.

International C: HDR fees for international students

Category 3 includes:

- funds received for providing the cost of an international student's HDR fee-paying place (but excluding Commonwealth supported places). This includes tuition fees¹² that international fee paying students (non-Commonwealth supported) pay to their HEP for a HDR program or HDR-related course of study.

For donations and bequests (Australian and international):

Where all, or a proportion, of a donation or bequest is invested then only the income earned from that investment which is available for expenditure on research in the reference year should be included.

¹² As listed under **section 4.2.2**, funds also exclude Commonwealth contributions paid by the Australian Government directly to HEPs for Commonwealth supported places.

Part B

Part B provides the information necessary for HEPs to determine what can and cannot be included under Category 4 of the Research Income Return.

For information on Categories 1-3 of the research income return, refer to Part A of this specification document.

5. Category 4: CRC Research income

5.1 General requirements

Under Category 4: CRC research income, HEPs must report the research income received for the 2015-16 financial year from a CRC in which they were defined within the Commonwealth Agreement as a "Participant", and are a signatory to the CRC's Commonwealth Agreement or Participant's Agreement.

Income received from CRCs in which the reporting HEP is not a Participant must be reported under Category 2: Other public sector research income (as per **section 4.5.2 of Part A**).

Category 4 comprises the following subcategories:

- research income derived from Australian Government grants to CRCs
- research income derived from non-HEP members of CRCs
- research income derived from external parties contributing to CRCs.

HEPs must consolidate the research income from all CRCs in which they were a Participant and enter this into Research Income Return - Return 1, categorised according to the appropriate subcategories. This data does not need to be split between HEPs and their subsidiaries.

Section 5.5 of Part B provides guidance for HEPs that are unable to easily categorise research income into the subcategories using CRCs accounting systems.

5.2 Arrangements applying to the collection and certification of CRC research income

HEPs must determine the eligible research income that they can report under Category 4: CRC research income for the financial year 2015-16. HEPs must also verify research income data with the respective CRCs in which they are a Participant.

HEPs must certify that Category 4: CRC research income data is correct, as reported in the Research Income Return - Return 1, through provision of the Vice-Chancellor's Certification Statement and the Audit Certificate.

5.3 Eligible research income

To be counted in Category 4, all research income must:

- be received by a HEP and its subsidiaries for the financial year 2015-16
- be classified into subcategories (see **section 5.1 of Part B**)
- comply with the definition of research
- be provided to a HEP account, for the HEP to spend (net receipted income).

Types of research income eligible to be counted include:

- funds for non-capital aspects of facilities such as laboratories, libraries, computing centres, animal houses, herbaria, and experimental farms
- funds for equipment purchase, installation, maintenance, hire and lease

- funds for salaries of research staff and research support staff
- funds providing a stipend to a student and/or the cost of a student's higher degree by research fee-paying place, unless the places are Commonwealth supported places or funded through the Research Training Scheme, Australian Postgraduate Awards, or International Postgraduate Research Scholarships
- payments for contracted projects which meet the definition of research
- funds provided specifically for the purpose of travel to enable access to a program of research. Researchers using the funds are expected to be active participants in the research program, rather than observers or visitors.

5.4 Research income not eligible to be included

Research income that may not be eligible to be counted include:

- funds provided to the personal accounts of HEP staff, or funds used by the CRC to purchase goods or services for use by the HEP
- funds provided specifically for travel to conferences, workshops and/or meetings
- in-kind contributions
- cash contributions made to a HEP on condition that the HEP use these contributions to purchase goods or services from a CRC or other funding provider. Such arrangements are regarded as in-kind contributions
- capital grants¹³
- funds provided to HEPs for them to manage on behalf of other parties, which are not to be used for research purposes by the HEP
- omissions from previous Research Income Return - Return 1
- payments to HEPs which are not earmarked for research, even if they may be spent on research at the HEPs' discretion
- funds provided specifically for the purpose of hosting, organising or attending a conference or workshop
- funds provided specifically for the purpose of producing research publications (that is, for publishing research rather than conducting it)
- funds provided to a HEP which is not a participant in the CRC. These funds may be counted under Category 2: Other public sector research income, provided they are for the purposes of research (as defined at **section 3**) and subject to meeting other relevant requirements in **section 4 of Part A**
- GST amounts.

5.5 Breakdown by source category

If a CRC's accounting systems do not readily enable it to distinguish between the funds provided to HEPs which are sourced from government grants, and funds provided to HEPs which are sourced from non-HEP participants, the CRC may split the funds between these two components in the same proportion as the cash funding it receives from these sources. If the receipt of funds from external parties can also not be tracked separately, the principle described above again applies. Income sourced from Australian HEPs or subsidiaries of Australian HEPs is not eligible to be counted (consistent with **section 4 of Part A**).

¹³ *Ibid*, p.9.

Example

In the 2015-16 financial year a CRC receives cash funding into single account from:

Australian HEP sources:	\$5 million (25%)
Government grant:	\$3 million (15%)
non-HEP participants:	\$7 million (35%)
external parties:	\$5 million (25%)

If the CRC allocates \$800,000 of the funds (which it is not readily able to attribute to particular sources) to HEP X for research purposes, in its Certified Statement for HEP X, the CRC may attribute:

- \$120,000 (15% of the \$800,000) to the 'Allocation of funds from Commonwealth grant' component;
- \$280,000 (35% of the \$800,000) to the 'Allocation of funds from non-HEP participants' component; and
- \$200,000 (25% of the \$800,000) to the 'Allocation of funds from external parties' component.

The 25% share of the \$800,000 sourced from Australian HEPs is not able to be counted.

5.6 Special cases

5.6.1 Refunds

Where, in the reference year covered by the Research Income Return - Return 1, a HEP refunds any monies received, either in the current year or an earlier year, income reported in the reference year must be reduced by the amount of the refund.

5.6.2 CRCs which are no longer operational

Where a CRC is no longer operational, and it is not possible to verify the research income data with the CRC in which the HEP was the Researcher or a Participant, the amount reported and attributable to that CRC may be reported on the basis of the HEP's financial records alone (i.e. the HEP does not need to comply with paragraph 1 of **section 5.2 of Part B**).

The HEP must ensure that the amounts reported are accurate. **Section 5.5** may be of assistance in determining the breakdown of funds.

6. Glossary

ACGR	Australian Competitive Grants Register
ARC	Australian Research Council
CRC	Cooperative Research Centre
The department	Department of Education and Training
EIF	Education Investment Fund
ERA	Excellence in Research for Australia
FOI Act	<i>Freedom of Information Act 1982</i>
GST	Goods and Services Tax
HEP	Higher Education Provider
HERDC	Higher Education Research Data Collection
HESA	<i>Higher Education Support Act 2003</i>
HDR	Higher Degree by Research
IRIISS	Independent Research Institutes Infrastructure Support Scheme
LIEF	Linkage—Infrastructure, Equipment and Facilities
NCRIS	National Collaborative Research Infrastructure Strategy
OECD	Organisation for Economic Cooperation and Development
R&D	Research and Experimental Development
RBG	Research Block Grants
RSP	Research Support Program
RTP	Research Training Program