



# **2019 Higher Education Research Data Collection**

## **Final Specifications for the collection of 2018 data**

**December 2018**

**Research Block Grants**

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The document must be attributed as the *2019 Higher Education Research Data Collection Specifications for the collection of 2018 data*.

# 1. Introduction

## 1.1 Purpose

The Australian Government's provision of research block grant (RBG) funding to eligible higher education providers<sup>1</sup> (HEP) is enabled by the *Higher Education Support Act 2003* (HESA), which provides "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 these *2019 Higher Education Research Data Collection (HERDC) Specifications* is to provide guidance to HEPs and auditors on the requirements for providing 2018 research and experimental development (R&D) income data.

## 1.2 Use of data

The Department of Education and Training (the department) uses the HERDC data in conjunction with data from the Higher Education Student Data Collection to determine HEPs' annual RBG allocations.

Information about the RBG, including program guidelines, conditions of grants and processes for calculating grant amounts is at [www.education.gov.au/research-block-grants](http://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* are provided to the department by 30 June 2019.

The department may use HERDC data submitted by HEPs to inform other analyses conducted by the department and may also provide these to other government agencies. HERDC data is published at [www.education.gov.au/higher-education-research-data-collection](http://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 R&D projects. HEPs have the autonomy to decide what projects, personnel, materials, equipment and infrastructure the block grants should support across their R&D and research training activities.

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

## 1.4 Information to be submitted

HEPs must provide to the department:

- an accurate R&D income return
- a Vice-Chancellor Certification Statement
- an Audit Report.

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<sup>1</sup> 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*.

### 1.4.1. R&D income returns

HEPs must provide R&D income received for the 2018 reference year, grouped into four categories:

- Category 1: Australian competitive grant R&D income
- Category 2: Other public sector R&D income
- Category 3: Industry and other R&D income
- Category 4: Cooperative Research Centre (CRC) R&D income

The R&D income return must be submitted via a Smart Form available at [www.education.gov.au/higher-education-research-data-collection](http://www.education.gov.au/higher-education-research-data-collection). The Smart Form can be uploaded or emailed to [RBGrants@education.gov.au](mailto:RBGrants@education.gov.au).

### 1.4.2. Vice-Chancellor certification statements

Vice-Chancellors (or equivalent) must certify that their HEPs R&D 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 submission instructions set out under **section 1.5** of this document.

### 1.4.3. Audit report

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

In addition to ensuring that the R&D income reported by a HEP under its R&D income return is correct, the department expects that the audit also ensures that R&D income is:

- attributed to activities that comply with the definition of R&D (**section 3**),
- attributed to the correct category of R&D income, and
- identified by transparent and explicit transactions
- reported on the same basis as 2017 R&D income data for that HEP

The audit should be conducted by an independent, external and qualified auditor. It may be conducted as part of an annual audit. For the audit of their HERDC returns, HEPs may prefer to use the 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	Format of the Return	Due Date
R&D Income Return	Electronic Submission	30 June 2019
Vice-Chancellor's Certification Statement		
Audit Report		

The instructions for electronic submission of the R&D income return, Vice Chancellor's Certification Statement and Audit Certificate (scanned version of the signed hard copy) are set out under **section 1.6** of this document. Submissions must be sent via email to [RBGrants@education.gov.au](mailto:RBGrants@education.gov.au).

## 1.6 Related documents

This document should be read in conjunction with *Instructions for electronic submission of HERDC returns*, available at [www.education.gov.au/higher-education-research-data-collection](http://www.education.gov.au/higher-education-research-data-collection).

In addition, the department uses definitions and concepts referred to in AASB standards and explanatory materials [AASB 9](#), [AASB 15](#), [AASB 138](#), [AASB 1058](#) and [AASB 2016-8](#).

## 1.7 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:

**FOI Team Leader  
Legal and Investigations Group  
C50MA10  
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*.

## 1.8 Verification material

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

For the purposes of the HERDC, HEPs must retain verification material for a minimum of five years to facilitate any audit of R&D 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 R&D activity being undertaken and the roles of the parties. Arrangements supported by email only (without supporting attachments) do not constitute appropriate verification material.

## 1.9 Contact details

Please direct queries concerning the HERDC and this document by email to [RBGrants@education.gov.au](mailto:RBGrants@education.gov.au)

## 2. Key differences between 2019 and 2018 HERDC Specifications

### **Consultation: Changes to reporting requirements for 2018 data**

#### Category 1 Research Income – Self-Assessment

For 2018 data, HEPs are to self-assess for Category 1 R&D Income instead of using the centralised Australian Competitive Grants Register (ACGR). The department is no longer maintaining the ACGR. The department consulted with the sector between November 2017 to May 2018 to develop a pack to help HEPs transition to a self-assessment process for Category 1 data. The department published and released the [final pack](#) to all HEPs in July 2018; the pack has been incorporated into these final *2019 HERDC Specifications (for 2018 data)*.

In releasing these final *2019 HERDC Specifications* ahead of usual processes, the department aims to finalise the definitions for 2018 data as early as possible. This is to allow HEPs the maximum possible time to implement any system changes required by the R&D income returns due date of 30 June 2019.

#### Treatment of CRC Income

Transitional arrangements for CRC Income to be reported on a calendar year basis will no longer apply under the *2019 HERDC Specifications*. This is because the transition arrangements were a one-off that applied only to 2017 R&D income data.

**Section 5.4** has been revised to clarify that all CRC R&D income, including CRC R&D income awarded on a competitive basis, should be classified as Category 4 income.

#### New Sub-category Structure for Categories 2 and 3

**Sections 5.2** and **5.3** have been revised to simplify the sub-category structure for both categories, which is reflected in the Smart Form.

#### Basis for Reporting R&D Income

In advance of the introduction of new accounting standards, the department has amended **Sections 4.1** and **1.4.3** so that HEPs will be required to report 2018 HERDC R&D income on the same basis that they reported 2017 HERDC R&D income. As part of this process the department will require that the audit report recognise that the 2018 HERDC R&D income data was reported on the same basis as 2017 HERDC R&D income data.

### **2020 HERDC Specifications (for 2019 data)**

#### Treatment of Research Income

The introduction of new Accounting Standards, such as *AASB 15: Revenue from Contracts with Customers*, to commence on 1 January 2019 for HEPs, required consideration on how to treat R&D income (**Section 4.1**). On 19 September 2018, the department released a detailed consultation paper with the sector on the proposed approach for R&D income as HEPs adopt these new standards. After taking into consideration sector feedback, and further investigation, the department has decided to implement a transition approach to implement these standards for the treatment of R&D income. As part of this transition HEPs will report 2018 and 2019 HERDC R&D income on the same basis as they reported 2017 R&D income. 2020 HERDC R&D income will then be expected to be reported in line with the new accounting standards with the exception of the reporting of scholarship income. For scholarship income, the department will amend the 2021 HERDC Specifications so that previously eligible scholarship income will be a specific inclusion in the list of eligible R&D income items for 2020 data. The department expects to release guidance material on how to treat 2020 R&D income in light of AASB changes well ahead of the *2020 HERDC Specifications* to provide as much time as possible to implement the proposed standards.

Higher Education Expenditure on Research and Development (HERD) data

To ensure that the department can appropriately evaluate R&D expenditure across the higher education sector, future conditions of grant for research block grant programs will require the reporting of HERD data directly to the department. This will involve the biennial submission of HERD data based on the 'return to source' HERD data supplied to each HEP by the Australian Bureau of Statistics, and will commence with the collection of 2018 data in 2020.

### 3. Definition of research and experimental development (R&D)

The HERDC definition of *research and experimental development*, abbreviated as R&D, is consistent with the OECD definition of research and experimental development set out in the 2015 Frascati Manual. R&D is 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<sup>2</sup>.’

For an activity to be an R&D activity it must satisfy all 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 (systematic), and
- 5 to lead to results that could be possibly reproduced (transferable and/or reproducible)<sup>3</sup>.

The above definition encompasses pure and oriented basic research, applied research and experimental development, defined as follows:

- *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 meet the above definition of R&D include:

- a) professional, technical, administrative or clerical support staff directly engaged in activities essential to the conduct of R&D
- b) the activities of HDR<sup>4</sup> students enrolled at the HEP
- c) the development of HDR training and courses
- d) the supervision of HDR students enrolled at the HEP
- e) R&D into applications software, new programming languages and new operating systems

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<sup>2</sup> 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 44-45.

<sup>3</sup> *Ibid.* pp 46-48.

<sup>4</sup> 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 at least two-thirds of the qualification is research.

- f) prototype development and testing
- g) construction and operation of a pilot plant where the primary objective is to make further improvements
- h) trial production where there is full scale testing and subsequent further design and engineering
- i) phases I to III of clinical trials.

Activities that do not meet the definition of R&D include:

- a) scientific and technical information services,
- b) general purpose or routine data collection,
- c) standardisation and routine testing
- d) feasibility studies (except into R&D projects)
- e) specialised, routine medical care
- f) literature reviews that are predominantly a summary of the current knowledge and findings of a particular R&D field or topic and do not include any critical assessment or report any new findings or original experimental work
- g) commercial, legal and administrative aspects of patenting, plant breeders rights, copyright, material transfer agreements or intellectual property licensing, option and assignment activities, and royalties
- h) routine computer programming, systems work or software maintenance
- i) stages of product development that do not meet the five R&D criteria above<sup>5</sup>
- j) pre-production development<sup>6</sup>
- k) market research
- l) construction of fully tested prototypes for marketing purposes
- m) after sales service and trouble-shooting
- n) industrial engineering and design for production purposes
- o) artistic performance or expression
- p) R&D financing and support services.

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<sup>5</sup> 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

<sup>6</sup> *Ibid.* p 54

## 4. Categories 1-4 R&D income requirements

This section provides the information necessary for HEPs to determine what can and cannot be included under Categories 1-4 of the HERDC Return.

HEPs must provide information on all R&D income received in the reference year that falls into the following four categories:

- Category 1: Australian competitive grant R&D income
- Category 2: Other public sector R&D income
- Category 3: Industry and other R&D income
- Category 4: CRC R&D income

### 4.1 General requirements

Category 1-4 R&D 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 R&D (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 R&D income a HEP (or its subsidiary) retains in its accounting system after shared R&D income has been divided and/or third party R&D income has been expended and/or distributed. The reference year is the 2018 calendar year.
- **It must be consistent with a HEPs audited financial statements.**  
R&D income must be reported in accordance with the *Financial Statement Guidelines for Australian Higher Education Providers* for the 2018 Reporting Period. It must be verified by and consistent with the HEP's audited financial statements.
- HEPs must notify the department of the basis they reported 2018 HERDC R&D income and that it is consistent with the basis that of 2017 HERDC R&D income reporting. HEPs may not deviate their basis of HERDC R&D income reporting.
- For reported R&D income from CRCs, income must be consistent with audited quarterly or annual CRC financial reports.
- **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 R&D income previously reported.**  
HEPs may count 2017 R&D income 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 was not reported in the previous year's return. A HEP must reduce the R&D income reported for a particular category where R&D income received in an earlier year has been refunded.

## 4.2 Inclusions and exclusions

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

### 4.2.1 Net receipted income which can be included in the R&D income return:

- a) Stipends and scholarships for HDR students enrolled at the HEP, unless explicitly excluded in **section 4.2.2**.
- b) Income derived from the provision of R&D services (exclusive of GST).
- c) Travel grants where funds are provided specifically for the purpose of travel and used to enable access to a program of R&D. Researchers using the funds are expected to be active participants in the R&D program, rather than observers or visitors.
- d) Income derived from the investment of, and interest earned from, donations, bequests and endowments available for the expenditure on R&D. Research infrastructure income including funding for equipment purchase, installation, maintenance, hire and lease, non-capital aspects of facilities such as laboratories, libraries, computing centres, animal houses, herbaria, and experimental farms and grants for specific and specialised equipment used for the conduct of R&D (unless explicitly excluded in **section 4.2.2**).
- e) Income from non-Australian HEPs provided specifically for the conduct of R&D.
- f) Income received in support of the R&D 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 HDR student fee income, Commonwealth supported places or places funded by the Research Training Program (RTP).
- g) Where a HEP receives income (such as a general or untied grant or a multi-purpose industry contract) that provides for activities other than R&D, the HEP may report the proportion of that grant that can be clearly and transparently attributed to the direct costs of conducting R&D.

### 4.2.2 R&D income that is excluded in the R&D income return:

- a) Any income above the amount of net receipted income.
- b) GST amounts.
- c) Any interest income accruing to R&D grants, contracts and consultancies.
- d) Any interest income received from donations, bequests and endowments unless expressly for the purposes of R&D.
- e) Any in-kind contributions to grants, contracts and other enforceable agreements.
- f) 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.

- g) Capital grants.<sup>7</sup>
- h) Any R&D income received by the HEP from its subsidiaries<sup>8</sup> or any independent HEP operations that do not meet the definition of a subsidiary.
- i) Any R&D income received by the HEP from any other Australian HEP or its subsidiaries except in respect of shared R&D income (in accordance with **section 4.3**) or transfers (in accordance with **section 4.4**).
- j) Any income received by a HEP or its subsidiaries from the sale of non-financial assets, even if that income is to be expended on R&D at the HEP's discretion.
- k) 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 R&D.
- l) Any third party income except for those instances specified in **section 4.3**.
- m) Funds provided to the personal accounts of HEP staff, or funds used by a CRC to purchase goods or services for use by the HEP.
- n) Any scholarships or grants that are provided by the HEP for its own HDR students.
- o) Income received by students or by HEPs on behalf of students, for the R&D component of any degree that is not a Masters by Research or Research Doctorate, including externally funded scholarships or stipends.
- p) HDR student fee income.
- q) Income received from a multi-purpose contract or other enforceable agreement that cannot be clearly attributed to the direct costs of conducting R&D, even if the income was provided for R&D.
- r) Income received from a government grant, contract or other enforceable agreement for a specific purpose other than R&D (such as teaching), even if a proportion of that income is expended on R&D at the HEP's discretion.
- s) Income provided specifically for the purpose of hosting, organising or attending a conference, workshop or meeting.
- t) Income provided specifically for the purpose of producing publications or teaching preparation (rather than conducting R&D).

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<sup>7</sup> 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 R&D. 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 R&D infrastructure. Grants for R&D infrastructure are considered to include grants for specific and specialised equipment which are used in the conduct of R&D.

<sup>8</sup> A subsidiary is an entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent).

- u) Grants or funding from the following programs:
- i. Australian Research Council (ARC) Linkage-Infrastructure, Equipment and Facilities (including cash contributions from other sources)
  - ii. NHMRC Equipment Grant Scheme
  - iii. NHMRC Independent Research Institutes Infrastructure Support Scheme (IRIISS) grants
  - iv. ARC's Research Networks Scheme
  - v. Commonwealth Grant Scheme (Commonwealth Supported Places)
  - vi. National Computational Infrastructure
  - vii. National Collaborative Research Infrastructure Strategy (including cash contributions from other sources)
  - viii. Collaborative Research Infrastructure Scheme
  - ix. the Education Investment Fund
  - x. Endeavour Scholarships, fellowships and grants
  - xi. Commonwealth Scholarships Program for South Australia
  - xii. Rural And Regional Enterprise Scholarships
  - xiii. Australian Mathematical Science Institute Internships (Commonwealth investment only)
  - xiv. Research Training Program
  - xv. Research Support Program

## 4.3 Income involving other parties

### 4.3.1 Third party income

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

R&D income administered by a HEP on behalf of a third party R&D organisation where the third party conducts the R&D independently of the HEP must be excluded.

The following instances are not considered as third party income:

- where the third party is a subsidiary of the HEP,
- where the third party is an affiliate of the HEP, and
- where a HEP has made payments to a third party for goods and services in support of the conduct of R&D 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 an R&D project - even if the Researcher(s) conducting the R&D 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 R&D income subject to cost reimbursement arrangements with affiliates or partner organisations (i.e. to reimburse R&D 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 R&D income return must be reported in the 'affiliate' income column in the 2018 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 document.

### 4.3.2 Shared income

R&D income is considered 'shared' if part of a payment is passed from the primary recipient to another named party according to a grant, contract or other enforceable agreement or a tender/application for funding. A party may be a HEP, the staff of a HEP, or another R&D performing organisation. Parties must be named in a grant, contract or other enforceable agreement or in the initial tender/application for funding.

HEPs can only report the income received or retained following the distribution of shared R&D income.

#### Example

Where a shared R&D 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 R&D funding with them, this must be reflected in adjustments to the affected HEPs' income returns.

## 4.5 Refunds

Where, in the reference year covered by the R&D Income Return, a HEP refunds any income 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.

## 4.6 CRCs that are no longer operational

Where a CRC (or CRC-P) is no longer operational, and it is not possible to verify the R&D proportion of the income 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.

## 5. R&D income categories

HEPs must enter all R&D income into the R&D Income Return according to the following four categories:

- Category 1: Australian competitive grant R&D income
- Category 2: Other public sector R&D income
- Category 3: Industry and other R&D income
- Category 4: CRC R&D income

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

HEPs are to correctly manage the categorisation of R&D income. 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 an R&D project, the funding must be apportioned to the correct category based on each funding source.

A summary of all categories and sub-categories is provided at **section 7**.

### 5.1 Category 1: Australian competitive grant R&D income

*Category 1* consists only of net receipted income received from Australian funding bodies for those R&D schemes and programs that have been self-assessed as Australian competitive grant R&D income, and must be sub-categorised as follows:

*Sub-category 1.1 National Health and Medical Research Council (NHMRC)*

*Sub-category 1.2 Research Council (ARC)*

*Sub-category 1.3 Medical Research Future Fund (MRFF)*

*Sub-category 1.4 Rural R&D*

*Sub-category 1.5 Commonwealth Other*

*Sub-category 1.6 State/Territory Government*

*Sub-category 1.7 Other*

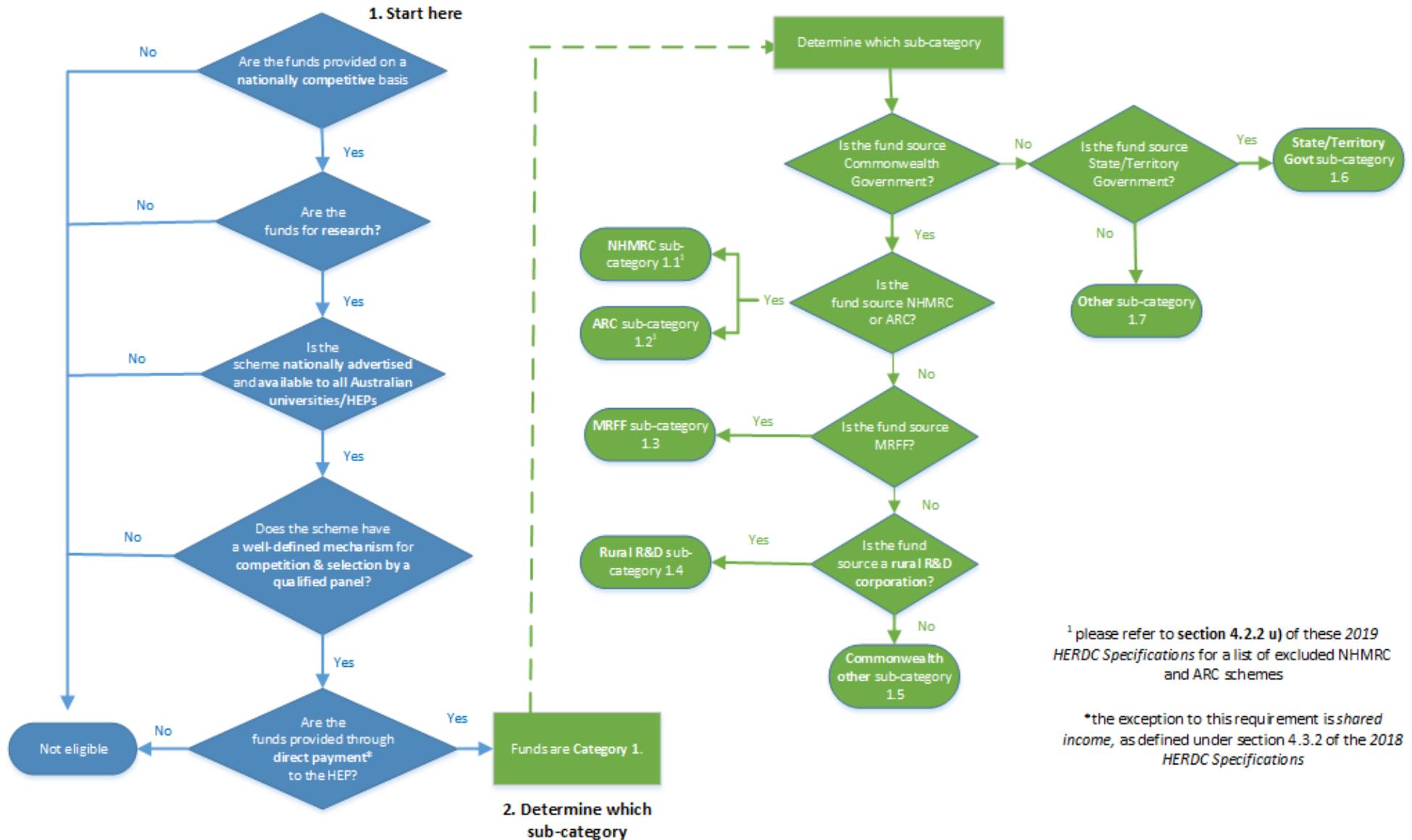
This section provides information to assist HEPs to determine whether R&D income is eligible to be counted as *Category 1* R&D income. A list of associated Frequently Asked Questions (FAQs) relating to self-assessment for *Category 1* R&D income is at [www.education.gov.au/self-assessed-australian-competitive-grant-income](http://www.education.gov.au/self-assessed-australian-competitive-grant-income).

Partner organisation cash contributions to grants awarded by schemes that have been self-assessed as Australian competitive grant R&D income should not be reported in *Category 1*, regardless of whether the partner contributions were identified in the scheme and/or program. This income should instead be reported under the HERDC category relevant to the source of the funding. Competitive grant income from international organisations or schemes should be reported under *Category 3*.

Previously the Australian Competitive Grants Register was used to determine which income could be counted as *Category 1* R&D income. For 2018 data, self-assessment will apply instead of the grant register, as the department is no longer updating the register. As a first step, a HEP should use the blue section of the **Decision Tree** (Fig. 1) to

determine if the income can be counted as Category 1. The green section of the Decision Tree can then be used to determine which of the seven sub-categories the R&D income belongs to.

**Fig. 1. Decision Tree to determine Category 1 Australian competitive grant R&D income**



## 5.1.1 Definition of terms associated with Decision Tree

### Australian Research Council (ARC)

The ARC administers the National Competitive Grants Program (NCGP), which supports the highest-quality fundamental and applied research and research training through national competition. Note some ARC grants are excluded from Category 1 – please refer to section 4.2.2 u).

### Available to all Australian universities/HEPs

There must not be preferential treatment of any applicant during the assessment process based solely on the type of institution nor its geographical location. Each institution must have an equal chance to submit an application.

### Direct payment

Funds must be provided directly as a result of a nationally competitive process. Funds provided through a third party are not eligible, except where the arrangements between the administering institution/administering organisation and the collaborating institutes are made clear in either the original application or in the agreement between the funding body and the research institutions. Such income would be considered to be shared income - please refer to **section 4.3.2** for details.

### Medical Research Future Fund (MRFF)

The MRFF, established by the Australian Government under the *Medical Research Future Fund Act 2015*, provides grants of financial assistance to support health and medical research and innovation in improving the health and wellbeing of Australians. It operates as an endowment fund with the capital preserved in perpetuity. In 2018, NHMRC is working with the Department of Health to implement a number of disbursements from the MRFF.

### National Health and Medical Research Council (NHMRC)

The NHMRC manages research support and funding through a variety of mechanisms, including grants for individual's specific research projects and broad programs of research. NHMRC funding supports research across the full spectrum of health and medical research, from basic science through to clinical, public health and health services research. Note some NHMRC grants are excluded from Category 1 – please refer to **section 4.2.2 u**). In 2018, the NHMRC is working with the Department of Health to implement a number of disbursements from the MRFF (please refer to MRFF section see above).

### Nationally competitive

Every application submitted by Australian research institutions for funding in a selection process must be assessed and rated against all other applications submitted in that selection process. Projects funded as a result of a direct approach from a funding body would not be considered to be nationally competitive.

### Nationally advertised

All potential applicants in each Australian state and territory must be given an equal opportunity to become aware of and apply to the scheme through the use of any combination of direct contact: newspapers, journals, magazines, Internet, or any other printed or electronic media.

### Scheme

A scheme is an administrative process that allocates funds using a discrete set of rules. For example, the ARC's Discovery and Linkage programs are known as schemes; each of which operate on the basis of a separate set of funding rules. Schemes can include grants and programs.

### Selection by a qualified panel

All scheme applications are assessed and rated by a panel with the collective expertise and experience to effectively assess applications against all selection criteria for that scheme.

### Other

The "Other" sub-category 1.7 covers all fund sources eligible to be considered as Australian competitive grant R&D income that do not fall into sub-categories 1.1 to 1.6.

### Research only

Research is 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'. Please refer to section 3 for details.

### Rural R&D corporation

There are 15 Rural Research and Development Corporations (RDCs) across agriculture, fisheries and forestry industries in Australia. The Rural RDCs are a network of organisations which have been formed under a partnership between different agriculture, fisheries and forestry industries and government to drive innovation and improvement in and for rural industries. RDCs invest in agricultural R&D on a competitive basis and partner with public and private providers using funds from levies on production which are matched by the Commonwealth.

### Well-defined mechanism for competition

The project or scheme has publicly available selection criteria against which all applications are assessed. The scheme has publicly available rules stating how assessments are conducted, including provisions to manage conflicts of interest which are binding on the selection panel.

## **5.2 Category 2: Other public sector R&D income**

Category 2 consists of R&D income received from the Australian public sector that is not eligible for inclusion as Category 1 income, and must be sub-categorised as follows:

*Sub-category 2.1 Commonwealth (own purpose)*

*Sub-category 2.2 Commonwealth (other)*

*Sub-category 2.3 State/Territory/Local (own purpose)*

*Sub-category 2.4 State/Territory/Local (other)*

Public sector agencies and authorities may include:

- Businesses 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.
- Research and Development Corporations where they are statutory corporations or authorities.

- 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).

In allocating the R&D income to a specific sub-category a HEP should determine which party is the primary beneficiary of the R&D activity (and associated rights to intellectual property or other non-financial assets) undertaken by the HEP or its subsidiary. It is recommended that HEPs consult the IP clause of an agreement to help determine which sub-category to allocate funding to.

#### *Commonwealth Government*

##### *Sub-category 2.1 Commonwealth (own purpose)*

This sub-category includes income from government-commissioned R&D services covered by a contract or other enforceable agreement. This sub-category can also include cash contributions to competitive grants (excluding in-kind contributions) such as an Australian government agency cash contribution to an ARC linkage grant (excl. ARC funding component).

As a general guide, HEPs should report R&D income in the *own purpose* category where the HEP must licence, option or assign all or part of the intellectual property (or other non-financial asset) arising from the agreement back to the Commonwealth Government customer. In the case of shared ownership of intellectual property rights, HEP income should also be reported as *own purpose*.

##### *Sub-category 2.2 Commonwealth (other)*

This sub-category will include all other R&D income from Commonwealth agencies and authorities.

For example, this sub-category could include non-specific or untied R&D funding e.g. National Institute grants; R&D grant income not eligible under Category 1; and R&D income where the HEP is delivering a service to a third party on behalf of government.

#### *State/Territory/Local Government*

##### *Sub-category 2.3 State/Territory/Local (own purpose)*

This sub-category includes income from government-commissioned R&D services covered by a contract or other enforceable agreement. This sub-category can also include cash contributions to competitive grants (excl. in kind contributions) such as a Queensland Government agency cash contribution to an NHMRC Partnership Project (excl. NHMRC funding component).

As a general guide, HEPs should report R&D income in the *own purpose* category where the HEP must licence, option or assign all or part of the intellectual property (or other non-financial asset) arising from the agreement back to the State, Territory or Local government customer. In the case of shared ownership of intellectual property rights, HEP income should also be reported as *own purpose*.

##### *Sub-category 2.4 State/Territory/Local (other)*

This sub-category will include all other R&D income from State, Territory or Local government agencies and authorities.

For example, this sub-category could include non-specific or untied R&D funding, R&D grant income not eligible under Category 1, and R&D income where the HEP is delivering a service to a third party on behalf of government.

## 5.3 Category 3: Industry and other R&D income

Category 3 consists of R&D income received from the private sector, philanthropic and international sources that are not eligible as Category 1 or Category 2 R&D income, and must be sub-categorised as follows:

*Sub-category 3.1 Australian for-profit organisations*

*Sub-category 3.2 Australian not-for profit organisations*

*Sub-category 3.3 Australian philanthropy*

*Sub-category 3.4 International for-profit organisations*

*Sub-category 3.5 International not-for profit organisations*

*Sub-category 3.6 International philanthropy*

*Sub-category 3.7 International government (own purpose)*

*Sub-category 3.8 International government (other)*

### *Australian private sector*

Income in this sub-category can include any R&D commissioned by the Australian private sector. Income in this sub-category also includes cash contributions (excl. in kind contributions) to competitive grants and R&D grant income from Australian private sector organisations where the Organisation or Grant Scheme is not listed in the ACGR (See **section 5.1.1**).

The Australian private sector sub-category is divided into R&D income from *for profit* and *not-for-profit* organisations:

#### *Sub-category 3.1 Australian for-profit organisations*

This sub-category includes income for R&D from:

- any for-profit business located in Australia including multi-nationals with their head office based in Australia or Australian subsidiaries of multi-national enterprises
- syndicated R&D arrangements
- any for-profit, industry-owned Research and Development Corporation.

The Australian Business Register [ABN look-up](#) can be used to help determine if a business is registered in Australia.

#### *Sub-category 3.2 Australian not-for-profit organisations*

This sub-category includes R&D income from any private, not-for-profit organisation based in Australia. This includes income from mutuals, cooperatives, charities and foundations.

A not-for-profit organisation does not operate for the profit or gain of its individual members, whether these gains would have been direct or indirect. A not-for-profit organisation can take many forms. For further guidance on how to identify not-for-profit organisations see the [Australian Tax Office](#) website or the [Australian Charities and Not-for-profits Commission](#). The Australian Business Register [ABN look-up](#) can be used to help determine if the R&D income is from a not-for profit organisation and/or is registered with the Australian Charities and Not-for-profits Commission. A HEP may wish to contact the organisation to clarify the organisation's status.

### *Sub-category 3.3 Australian philanthropy*

This sub-category includes donations, bequests, crowd-funding and endowments for the conduct of R&D that have been received from any Australian source:

A *donation* is defined as money given to a HEP by a donor for a broad R&D purpose with no reciprocal expectation of material benefits or advantage such as specific R&D deliverables and reporting except for recognition of the donor and the expenditure of the money in accordance with the donor's wishes.

A *bequest* has all the elements of a donation except that it is received from the estate of a deceased person.

*Crowd-funding* is a type of (typically online) fundraising that allows a large number of individuals to make small financial contributions towards an R&D project with little or no expectation of equal value return. To be eligible to report this income, any agreement with individual contributors must be non-reciprocal in nature, have no specific performance obligations and no obligation to licence, option or assign the intellectual property (or other non-financial asset) arising from the agreement back to the individual. All crowd-funding income should be reported in this sub-category, regardless of the proportion of crowd-funding from international donors.

An *endowment* is a transfer of an asset to a HEP for the ongoing support of R&D, and may (but not necessarily) be made as part of a donation or bequest. An endowment may be made for the perpetual benefit of the entity in that the transfer is made with a requirement for the principal to be preserved, and only income earned on investment activity to be made available for R&D expenditure.

Where all, or a proportion, of a donation, bequest or endowment is invested, then only the income earned from that investment which is available for expenditure on R&D in the reference year should be included. Interest received from donations, bequests and endowments cannot be included in this sub-category unless it is expressly for the purposes of R&D.

### *International private sector*

Income can include any R&D commissioned by the international private sector. Income in this sub-category also includes cash contributions to competitive grants (excl. in kind contributions).

The international private sector sub-category is divided into R&D income from *for profit* and *not-for-profit* organisations.

### *Sub-category 3.4 International for-profit organisations*

This sub-category includes income for R&D from any for-profit business wholly located outside Australia. Do not include R&D income from Australian subsidiaries of multinational enterprises.

### *Sub-category 3.5 International not-for profit organisations*

This sub-category includes income for R&D from any private not-for-profit organisation located outside Australia. This includes income from mutuals, cooperatives, charities and foundations. This may also include R&D income from international not-for-profit universities.

This sub-category can include grants from international not-for-profit organisations.

If a HEP is unsure of the not-for-profit status of the international organisation, it is recommended that the organisation be contacted. A not-for-profit organisation does not operate for the profit or gain of its individual members, whether these gains would have been direct or indirect. A not-for-profit organisation can take many forms. For further guidance on how to identify not-for-profit organisations see the [Australian Charities and Not-for-profits Commission](#) website.

#### *Sub-category 3.6 International philanthropy*

This sub-category includes donations, bequests and endowments for the conduct of R&D that have been received from any international source.

Please refer to the definitions and notes for donations, bequests and endowments in *sub-category 3.3* above.

#### *International government*

'Government', in the international context, can also include supra-national or intergovernmental organisations such as the European Commission, Organisation for Economic Cooperation and Development and United Nations. This applies to *sub-categories 3.4* and *3.5*.

In allocating the R&D income to a specific sub-category of *International government* R&D income, a HEP should determine which party is the primary beneficiary from the R&D activity (and associated rights to intellectual property or other non-financial assets) undertaken by the HEP or its subsidiary. It is recommended that HEPs consult the IP clause of an agreement to help determine which sub-category to allocate funding to.

#### *Sub-category 3.7 International government (own purpose)*

This sub-category includes income from government commissioned R&D services covered by a contract or other enforceable agreement. This sub-category can also include cash contributions to Australian competitive grants (excl. in kind contributions).

As a general guide, HEPs should report R&D income in the *own purpose* category where the HEP must licence, option or assign all or part of the intellectual property (or other non-financial asset) arising from the agreement back to the international government customer. In the case of shared ownership of intellectual property rights, HEP income should also be reported as *own purpose*.

#### *Sub-category 3.8 International government (other)*

This sub-category includes all other R&D income from international government agencies and authorities e.g. competitive grants. Examples could include research grants from the US [National Institutes of Health](#) or the European Commission's [Horizon 2020](#) program.

## 5.4 Category 4: CRC R&D income

Under *Category 4*, HEPs must report the R&D income 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. *Category 4* CRC R&D income includes HEP income received from CRC Projects (CRC-P). This must be categorised as *Category 4* R&D Income, even if a HEP determines that the income is awarded on a competitive basis. Please note other references to CRC R&D income in **sections 2, 4.1, 4.2, 4.6** and **5.2**.

HEPs must consolidate the R&D income from all CRCs in which they were a Participant and enter this into their R&D Income Return, sub-categorised as appropriate. This data does not need to be split between HEPs and their subsidiaries.

*Category 4* is comprised of the following three sub-categories:

#### *Sub-category 4.1 R&D income received from CRCs derived from Australian Government grants to CRCs*

This sub-category includes income to the HEP derived from Commonwealth CRC program grants.

#### *Sub-category 4.2 R&D income received from CRCs derived from private industry participants of CRCs*

This sub-category includes income to the HEP from private business CRC participants. This includes both for-profit and not-for profit businesses.

*Sub-category 4.3 R&D income received from CRCs derived from other sources*

This sub-category includes income to the HEP from all other CRC funding sources. This may include for example, cash funding from CRC government participants, contract R&D or donations.

*Breakdown by source category*

In some cases, CRC accounting systems do not readily distinguish between the funds provided to HEPs which are sourced from government grants, and funds sourced from non-HEP participants. If so, 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 cannot be tracked separately, this principle also applies.

**Example**

*Over the period 1 January 2018 to 31 December 2018 (see **section 4.1**) a CRC receives cash funding into a single account from the following sources:*

Australian HEP sources:	\$5 million (25%)
Government grant:	\$3 million (15%)
Private industry participants:	\$7 million (35%)
Other sources:	\$5 million (25%)

*If the CRC allocates \$800,000 of the funds (which is not readily able to attribute to any particular sources) to HEP X for R&D 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 Private industry participants' component;
- and
- \$200,000 (25% of the \$800,000) to the 'Allocation of funds from other sources' component.

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

## 6. Acronyms

AASB	Australian Accounting Standards Board
ACGR	Australian Competitive Grants Register
ARC	Australian Research Council
CRC	Cooperative Research Centre
CRC-P	Cooperative Research Centre Projects
The department	Department of Education and Training
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
NHMRC	National Health and Medical Research Council
MRFF	Medical Research Future Fund
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

## 7. Summary of R&D income sub-categories

### **Category 1: Australian competitive grant R&D income**

*Sub-category 1.1 National Health and Medical Research Council (NHMRC)*

*Sub-category 1.2 Research Council (ARC)*

*Sub-category 1.3 Medical Research Future Fund (MRFF)*

*Sub-category 1.4 Rural R&D*

*Sub-category 1.5 Commonwealth Other*

*Sub-category 1.6 State/Territory Government*

*Sub-category 1.7 Other*

### **Category 2: Other public sector R&D income**

*Sub-category 2.1 Commonwealth (own purpose)*

*Sub-category 2.2 Commonwealth (other)*

*Sub-category 2.3 State/Territory/Local (own purpose)*

*Sub-category 2.4 State/Territory/Local (other)*

### **Category 3: Industry and other R&D income**

*Sub-category 3.1 Australian for-profit organisations*

*Sub-category 3.2 Australian not-for profit organisations*

*Sub-category 3.3 Australian philanthropy*

*Sub-category 3.4 International for-profit organisations*

*Sub-category 3.5 International not-for profit organisations*

*Sub-category 3.6 International philanthropy*

*Sub-category 3.7 International government (own purpose)*

*Sub-category 3.8 International government (other)*

### **Category 4: CRC R&D income**

*Sub-category 4.1 R&D income received from CRCs derived from Australian Government grants to CRCs*

*Sub-category 4.2 R&D income received from CRCs derived from private industry participants of CRCs*

*Sub-category 4.3 R&D income received from CRCs derived from other sources*