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 2015 calendar year and for Category 4 research income, the reference year is the 2014-15 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 2015 Reporting Period.
  It must be verified by and consistent with the HEP’s audited financial statements unless exempt as income received from a CRC.

- 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 2014 (Categories 1, 2 and 3) or 2013-14 (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 receipted 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 receipted 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 staff¹
- income received in support of:
  - professional, technical, administrative or clerical support staff directly engaged in activities essential to the conduct of research²
  - 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

¹ 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.
² See note above.
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.

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 subsidiaries
- 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 grants
- 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 travel to and attending a conference, workshop or meeting unless funds are specifically for enabling access to a program of research

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3 A subsidiary is an entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent).
4 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.
• 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
  — 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 2016 Smart Form. 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
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 registered on the 2016 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 fees\(^5\) 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

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\(^5\) 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 fees\(^6\) 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.

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\(^6\) 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 2014-15 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 2014-15. HEPs must also verify research income data with the respective CRCs in which they are 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.

5.3 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 2014-15
- 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 grants
- 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).

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7 Ibid, p.9.
Example

In the 2014-15 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.