

Professor Warwick Anderson  
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Dear Professor Anderson

AAMRI appreciates the opportunity to comment on the proposed variations to Funding Agreements and Deeds of Agreement to increase flexibility around the use of funds.

In the main, AAMRI is supportive of the proposed changes to increase flexibility around the use of NHMRC grant funds. However, we do have concerns around the details of some of the proposals, as outlined below.

**(a) Use of the equipment component of an NHMRC grant**

AAMRI supports proposal (a) to allow the use of the equipment component of grants towards Direct Research Costs (DRCs) and differences between the Personnel Support Package (PSP) salary component and the institutional salary level. We would suggest that this proposal explicitly include the use of the equipment component of grants towards differences between the PSP and the cost to an institution of both the salary and *salary on-costs* of personnel.

**(b) Use of grant funds to supplement differences between the PSP salary components and the institutional salary level**

There is confusion and concern around the wording and limitations of proposal (b), which has been variously interpreted by our members.

If by, “Institutions will continue to be responsible for all on-costs that are not covered by the PSP”, the NHMRC is referring to the indirect costs of research (i.e. not including salary on-costs), we recommend re-wording this to: “Institutions will continue to be responsible for all *indirect research costs*”. Similarly, if by NHMRC grant funds being used to “supplement any difference between the salary component of the Personnel Support Package and the institutional salary”, the NHMRC is referring to the difference between the entire PSP amount and the salary and salary on-costs incurred by the institution, then we recommend re-wording this to: “supplement any difference between the Personnel Support Package and the salary and salary on-costs incurred by an institution”.

If the intent is that all salary on-costs are to be met by the institution, we would object to this limitation of the proposal. If PSPs could no longer be used towards salary on-costs, some institutes have indicated that they would be financially worse off for certain PSP levels, despite being able to use NHMRC grant funds to fund the difference in the salary component of PSPs and institutional salary levels.

If the proposal's intent is that institutions will be responsible for salary on-costs above the amount provided for in the PSP, then this is illogical. Currently, PSPs provide a contribution towards salary and salary on-costs, but do not specifically discriminate between these two items. Therefore, the amount of any given PSP level that is for the 'salary component' and the amount that is for the 'salary on-cost component' is not discernible. We would not recommend that the NHMRC prescribe the proportion of PSPs that can be used towards salary on-costs, as salary on-costs differ between institutions depending on their location and Enterprise Agreements / employee contracts. Determination of how salary and salary on-costs are covered should be at the discretion of administering institutions and investigators.

No reasoning is given for why the salary on-costs would be excluded from funding flexibility arrangements. Many of the salary on-costs are determined by federal government legislation (e.g. superannuation rates and workers compensation), state government legislation (e.g. payroll tax), and federal Awards, not by research institutions. The exclusion of salary on-costs would also introduce unnecessary complexity and confusion into the proposed funding system, whose purpose is to reduce complexity and increase flexibility.

Finally, it is also not clear what is meant by proposal (b) aligning "with the proposed change to a principles-based approach to Direct Research Costs". Salaries and salary on-costs are not specifically excluded in the core principles of DRCs outlined in the consultation paper. One would presume, therefore, that salaries and salary on-costs are a DRC.

***AAMRI recommends that proposal (b) be amended to explicitly allow the use of NHMRC grant funds to supplement the difference between the PSP and the costs incurred by institutions for personnel, including salary and salary on-costs.***

This would be consistent with the NHMRC's statement of 9 November 2012, that:

"...NHMRC grant holders can use their grant funding flexibly between DRC and PSP to best deliver the objectives of the research proposal.....and are not restricted to using the amounts allocated against items for only those items."<sup>1</sup>

### **(c) Independent Research Institutes Infrastructure Support Scheme (IRIISS) funds**

AAMRI welcomes the proposal that IRIISS funds be transferrable between institutes, with NHMRC approval. However, this only goes part way to removing the barrier to collaboration posed by the inability to transfer indirect cost funding between collaborating institutions. For collaborative grants between researchers from universities and medical research institutes, it is still not possible to transfer indirect cost funding between institutions, leading to significant funding shortfalls for the non-administering institution. This continues to act as a significant barrier to inter-institutional collaborations.

### **(d) NHMRC guidance on Direct Research Costs**

AAMRI supports an in-principle approach to DRCs. Such an approach recognises that what might be considered an indirect research cost for one project (e.g. on-site ethics approval for a research project) might be considered a DRC for another research project (e.g. ethics approvals for research projects involving Indigenous communities, which are often integral to the research itself and long term in nature; ethics approvals for multi-site clinical research projects, which involve external committees and can be very costly overall). However, the caveat is that a principles-based approach raises the potential for reduced clarity around what constitutes a DRC, meaning guidance documents will need to be clear and consistent.

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<sup>1</sup> <http://www.nhmrc.gov.au/grants/apply-funding/project-grants/further-information-regarding-project-grant-budgets-funding>

Regarding the core principles for determining the direct costs of research, we recommend the following:

- For principle 3 – “DRC must be incurred as a direct cost of achieving the specific aims of the funded research and no other” – we recommend removing the phrase “and no other”. This phrase could be problematic as some consumables (e.g. cell culture lines, antibodies) or small items of equipment purchased for a particular project might be re-used for other projects.
- Removing principle 4. This principle does not provide additional clarity to the first three principles and could lead to confusion or misinterpretation.

We thank the NHMRC for the opportunity to provide feedback, and look forward to the implementation of funding flexibilities for NHMRC grants.

Yours sincerely

A handwritten signature in black ink, appearing to read 'B Crabb', written in a cursive style.

Professor Brendan Crabb  
President, Association of Australian Medical Research Institutes