

1994 Group response to RCUK Review of Full Economic Costing

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The following is a response from the 1994 Group to the RCUK/UUK review of full Economic Costing (fEC). For more detailed responses to the questions contained in the consultation document, and for specific examples of institutional practice in light of fEC, please see the individual submissions of the Group's member institutions.

Members of the 1994 Group are: University of Bath, Birkbeck University of London, Durham University, University of East Anglia, University of Essex, University of Exeter, Goldsmiths University of London, Royal Holloway University of London, Lancaster University, University of Leicester, Loughborough University, Queen Mary University of London, University of Reading, University of St Andrews, School of Oriental and African Studies, University of Surrey, University of Sussex and University of York.

Question 1

To what extent are physical and financial sustainability being achieved in your institution; how is this being monitored and maintained, and has it been affected by fEC?

1994 Group institutions are moving towards physical and financial sustainability. All member institutions have developed detailed financial strategies aimed at ensuring the integration of strategic planning, financial planning, environment scanning, performance review, risk management and resource allocation. Institutions' confidence in their future sustainability is founded upon these strategies and the embedded procedures that result. Institutions have robust evaluation processes in place to monitor the success of these strategies, using a variety of metrics and benchmarking data.

We believe that fEC is an important contributing factor in this wider process of achieving physical and financial sustainability. On the whole, the introduction of fEC has enabled 1994 Group institutions to better understand their sustainability. It has provided the opportunity for institutions to make more informed decisions about the financial consequences of managing individual grants and contracts and has enabled the greater recovery of the cost base underpinning their research activity.

However, it is not possible to avoid the fact that most universities operate on fine margins to turnover. This means that a university's capacity to guarantee a sustainable physical infrastructure programme is always at risk of being compromised by financial shock(s). Clearly if the Research Council fEC rate were to be increased to 100% of fEC from the current 80% this would significantly reduce the prospect of this eventuality occurring.

Question 2

To what extent are human and intellectual sustainability being achieved in your institution; how is this being monitored and maintained; and how has it been affected by fEC?

1994 Group institutions are confident that they are achieving human and intellectual sustainability. While this agenda is primarily driven by factors other than fEC, such as employment law and good practice such as that stemming from the Roberts agenda, fEC has supported this agenda by helping the university to identify the true costs of different activities.

Most 1994 Group institutions have developed, or are in the process of developing, institutional research repositories, which are helping to ensure intellectual sustainability.

Question 3

To what extent has the introduction of fEC changed the nature of grant applications to Research Councils and National Academies from your institution, and the allocation model of the overhead component of awards.

The introduction of fEC has not caused a significant change in the willingness of staff at 1994 Group institutions to apply for Research Council funding.

At many institutions there has been an increase in internal peer review of grant applications. This has mainly been to help ensure a high level of quality in recognition of the increasingly competitive market for UK research grants, and is not necessarily a result of fEC. Alongside this, however, the introduction of fEC has helped ensure that costs are checked thoroughly and effectively, many institutions doing so through centralised research support offices.

TRAC and fEC have brought significant gains in helping institutions understand the actual costs of research and fEC is allowing them to recover costs that they weren't able to recover before. The improved costing information also enables institutions to make better informed strategic decisions about which funding streams to apply to.

Question 4

Is the implementation of fEC by Research Councils sufficiently efficient and transparent?

There is concern amongst 1994 Group members that the publication of estates and indirect costs, even by band, could be problematic and infringe institutional autonomy and commercial confidentiality. Whilst the Research Councils are significant customers of university research, they are not the only ones, and too great a transparency of cost structures could undermine the ability of institutions to engage, on a sustainable basis, with commercial organisations and even encourage competition within the private sector to undercut HEIs.

Also, there is concern that if Research Councils were to introduce a requirement for formal time-records this would place an unacceptable administrative burden on universities. This may result in institutions having to provide additional staff resource in order to service this requirement, which in turn would further work against the principle of sustainability.

Question 5

Has the introduction of fEC influenced work funded by, or undertaken for, Government, the EU and Charities? What are the key issues arising from these different funding sources and their funding policies and how does this relate HEI sustainability?

There is concern amongst member institutions that Government funders are often unwilling to pay for university research on the basis of 100% fEC. Also, it is increasingly common for Government to use competitive tenders in the commissioning of research, which is always likely to drive prices down. Whilst this is perfectly normal in an open market situation, it does mean that government itself may not be supporting the sustainability agenda as wholeheartedly as it might.

FEC has enabled a better understanding of the funding shortfall for EU-funded projects, and the change of funding mechanism in FP7 has opened the door to better recovery rates. We are pleased that TRAC has been modified to meet EC requirements, although we would note that this still leaves a low recovery rate against fEC (typically in the region of 70%-75%).

Charity funders cover lower proportions of the full cost of research (typically in the region of 40%-60% fEC). On the whole the introduction of fEC has not had the effect of reducing the willingness of universities to pursue charity-funded projects, although it has highlighted the funding gap which exists. The Group welcomes the introduction of the Charity Research Support Fund, but would like to note that this has not filled the said funding gap.

Question 6

Has the introduction of fEC influenced the pricing strategy of research undertaken for business, and what are the implications for both HEIs and businesses?

1994 Group institutions recognise the importance of recovering the full cost of any research undertaken for industry and business. The introduction of TRAC and fEC have helped provide an improved understanding of costs and the real financial contribution of an institution's activities, and has provided a better basis for pricing research projects funded by business. However, many companies refuse to accept fEC as a reasonable price for a project, particularly where competing bidders are based in countries that do not have fEC in place.

Most institutions have policies in place to try to ensure that 100% fEC is recovered from business-funded projects, and those that are offered for less than 100% are considered on a case-by-case basis with careful consideration given to the other benefits which would be brought to the institution by a specific project (such as originality of research, freedom to publish, ownership of intellectual property or training of postdoctoral staff).