

Achieving a Well-Resourced Research Environment: Full Economic Costing – So What?

In our previous articles we have outlined the background to the proposals to reform the Dual Support mechanism for the funding of Research and have explained that the impact of these proposals is not limited to the area of Research, but affects costing of all activities within Universities. This article will briefly outline the operational impacts and who will be affected.

Completing TR returns (Finance Office)

Each University is required to submit to their funding council (for us SHEFC) a return restating the figures as shown in the statutory published accounts. The restatement involves adding in amounts calculated in a prescribed manner for cost of capital and infrastructure. Essentially these adjustments are an attempt to reflect the increased cost of sustainability. The return comprises five figures and splits the whole expenditure of the University across Publicly Funded Teaching, Non-Publicly Funded Teaching, Publicly Funded Research, Non-Publicly Funded Research, and Other.

The return is simply these five figures, but the Principal must sign as confirmation that other mandatory calculations have been performed. The mandatory calculations have been overhead recovery rates at a high level of aggregation – Teaching, Research and Other for Lab-Based, Class-Based, and Clinical activities, together with rates for Teaching, Research and Other on a Faculty basis.

Under the new requirements, these mandatory calculations will now have to be expanded: all costs must be allocated to projects rather than Faculties for Research, and to Departments for all other activities and thus more detailed information must be collected about costs.

In order to allow these new calculations to be made, staff will need to provide information about how their time is allocated. This will be an extension of the Time Allocation Schedules that have been done in the past. We will describe these in more detail in another Newsletter article.

Costing of projects (Project Applicants)

In addition to the allocation of costs on a retrospective basis, changes must be made to the way in which we determine the estimated cost of undertaking Research for proposals. A clear distinction (as discussed in previous articles) can be drawn between the cost of a project and the costs recovered from the range of potential funders of that project. Some of the issues which we will need to develop better understanding of are:

- Estimating staff time
- Costs of space, facilities, etc.
- Standard costs of other items

Inherent in this costing and approval process is the identification of the source(s) of income available to meet the funding gap for each project. Typically this is understood to be the Research portion of funding from SHEFC allocated by the annual Grant Letter, but it has been impossible to equate the two.

Operating projects (All PIs)

There will be a range of effects on the operation of projects, including charging and allocating costs to projects, recording activity more fully, and demonstrating project control. More broadly, we will need to continue to develop a rigorous standard of post-award project management (both financial and non-financial).

In order to maximise the recovery and provide better information on actual costs for future projects, we will need to be even more meticulous about accurate charging of costs to projects.

Budget holders for Agresso Budget Centres will still see the monthly reports with the “manageable costs” only. The elements of overheads and estates costs applicable to that project will not be deemed to be within the management responsibility of that budget holder. However, we will also need to be able to show what the full costs of a project have been, and these reports may also be of use to the PI / budget holder.

In order to allow us to identify how much University core research cost is attributable to a project, we will require to obtain more information to develop standard times and standard costs. This will be part of the TR analysis process, but there will need to be feedback from projects to improve the assumptions and standards.

Many funders, including the Research Councils, will require some form of recording / demonstration of time spent on the specific project. Many researchers will already have sufficient information to do this. However, we will be developing guidance, based on advice from the Councils and others, as to what will be seen as acceptable.

Other areas impacted by full economic costing

The following list is not exhaustive, but demonstrates the wide-ranging impact of the move to understand our costs, and operating on a sustainable basis.

- Increased Audit work, internal and external, plus changes to the Research Councils’ dipstick test processes
- Influencing decisions on Research Strategy, deployment or allocation of core resources, and support for applications.
- Informing pricing decisions for research contract and service work
- Bidding for government work: these should be at FEC for non-competitive tenders; and price influencing for competitive tenders.
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The next article in this series will address the impact of cost identification on pricing decisions.