In May 2008 Research Councils UK (RCUK) announced that it would commission a review of the implementation of full economic costs (fEC) for funding university research, with publication now due in April 2009. The review aims to ensure that the change to full economic costs has put universities on track for delivering long term financial sustainability in research. The Review Panel is chaired by Professor Alan Alexander, Commissioner on the Accounts Commission for Scotland and a member of the Council of the Economic and Social Research Council.

Together with other learned societies (as well as Government departments, businesses and individuals) the RAS was invited to contribute to this review. The Society’s electronic submission was assembled and amended using feedback from members of Council, with the response to each question set out below:

1. Has the introduction of full economic costing (fEC) of research contributed to the physical and financial sustainability of UK Higher Education Institutions (HEIs)?

The RAS believes that fEC has certainly helped UK HEIs, as they are better able to work towards both physical and financial research sustainability through the implementation of fEC, although at the 80% fEC this will only be partial.

However, it remains unclear how much of this has been directly beneficial to departments, as many HEIs are still working out how best to apply the new system. For example, one Head of Department reports that he has so far seen little impact on the physical structure of his department (although the departmental balance sheet now appears better).

2. Has the introduction of full economic costing of research improved the human and intellectual sustainability of UK HEIs?

The Society believes that both HEFCE quality-related (QR) funding and more recently fEC have allowed HEIs to strengthen career development opportunities, particularly for fixed-term staff. In addition these funding streams can provide bridging funds to retain researchers employed on both research grants and European funding. In general, an improvement in the financial viability of departments has made it easier to secure investment in human and intellectual resources.

3. Has the introduction of full economic costing of research caused changes
a) in the nature of grant applications to Research Councils and National Academies,

*It would be most surprising if the introduction of fEC has not caused an increase in grant applications although exact figures would have to be supplied by the funding agencies.*

b) in the model for internal allocation of grant-overheads received by HEIs?

*This is very much HEI-specific and many HEIs are likely to be reviewing their internal allocation models in light of fEC. There are further complexities arising from the use of the three different fEC components (Estates, Indirect costs and the contribution to Investigator Salary).*

However, even taking this caveat into account, at the moment many researchers indicate that they see too little of the fEC funding associated with their research grant. In practice the amount of fEC funding passed on to researchers appears to vary enormously from one HEI to another - in some cases HEIs retain it centrally as part of their development funding, whereas others earmark it all to be at the disposal of the research group that received the grant.

*The RAS strongly believes that fEC funding associated with a science research grant should be used to advance that science research. HEIs should be consistent in their practice and as a matter of principle use the fEC funding to reward groups which win grant funding.*

*The different Research Councils should also seek assurances from HEIs that fEC funding is being used to support the groups which secure the fEC-attracting grants. Even if the HEI elects to retain fEC funding centrally, its use should be directed by the group to whom it was given.*

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

*There is concern that the implementation of fEC varies across the different Research Councils.*

*It would improve transparency if the estate costs and indirect costs (partly funded by fEC) calculated by HEIs were published as averages, banded by collective university group or similar. Funding Councils should be able to challenge rates that appear excessive but we would not wish more formal time-records to be introduced as a justification for payment as this approach tends to be inhibiting to individual researchers.*

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 to HEI sustainability?

*Astronomy research groups receive most of their funding from the RCs, so this has a small impact. In contrast, areas that attract substantial research funding from charities may now appear weaker.*
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?

The introduction of fEC has certainly focussed attention on the real costs of research and how these should be passed on to bodies that commission research on a commercial basis.

The picture is not uniform with some industry and businesses providing at least 100% of fEC, whereas Small- and Medium-Sized Enterprises (SMEs) are both less willing and less able to pay at that level. Most universities probably accept some percentage of their research activity to be funded at less than 80% fEC, and hence will accept grants from organizations such as SMEs, charities and the EU. Such research has then to be subsidized from other HEI activities.

Robert Massey
December 2008