



The Costing Of Research

A University Perspective

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Overview

1. The University of Oxford in context
2. Costing of research: the issues facing universities
3. fEC implementation at Oxford
4. Key implementation issues
5. Key issues for the future
6. Concluding remarks



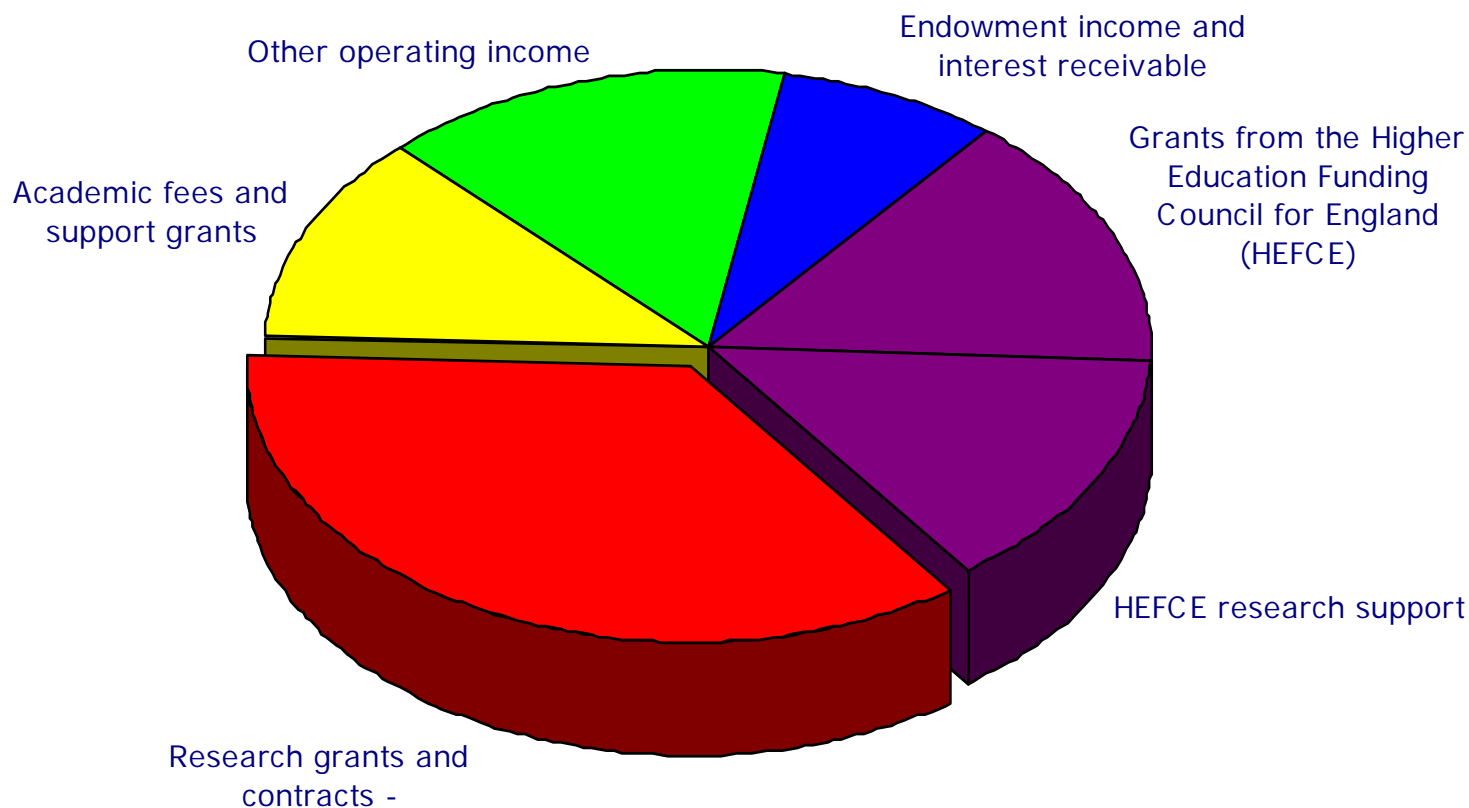
The University of Oxford

- World class university, consistently ranked in top 5
- Amongst largest research universities in Europe
- 18 000 students ($\frac{2}{3}$ undergraduate $\frac{1}{3}$ postgraduate)
- 7000 staff – including 3500 academic/research
- Total income: 750M Euros
- Research Income: 400M Euros



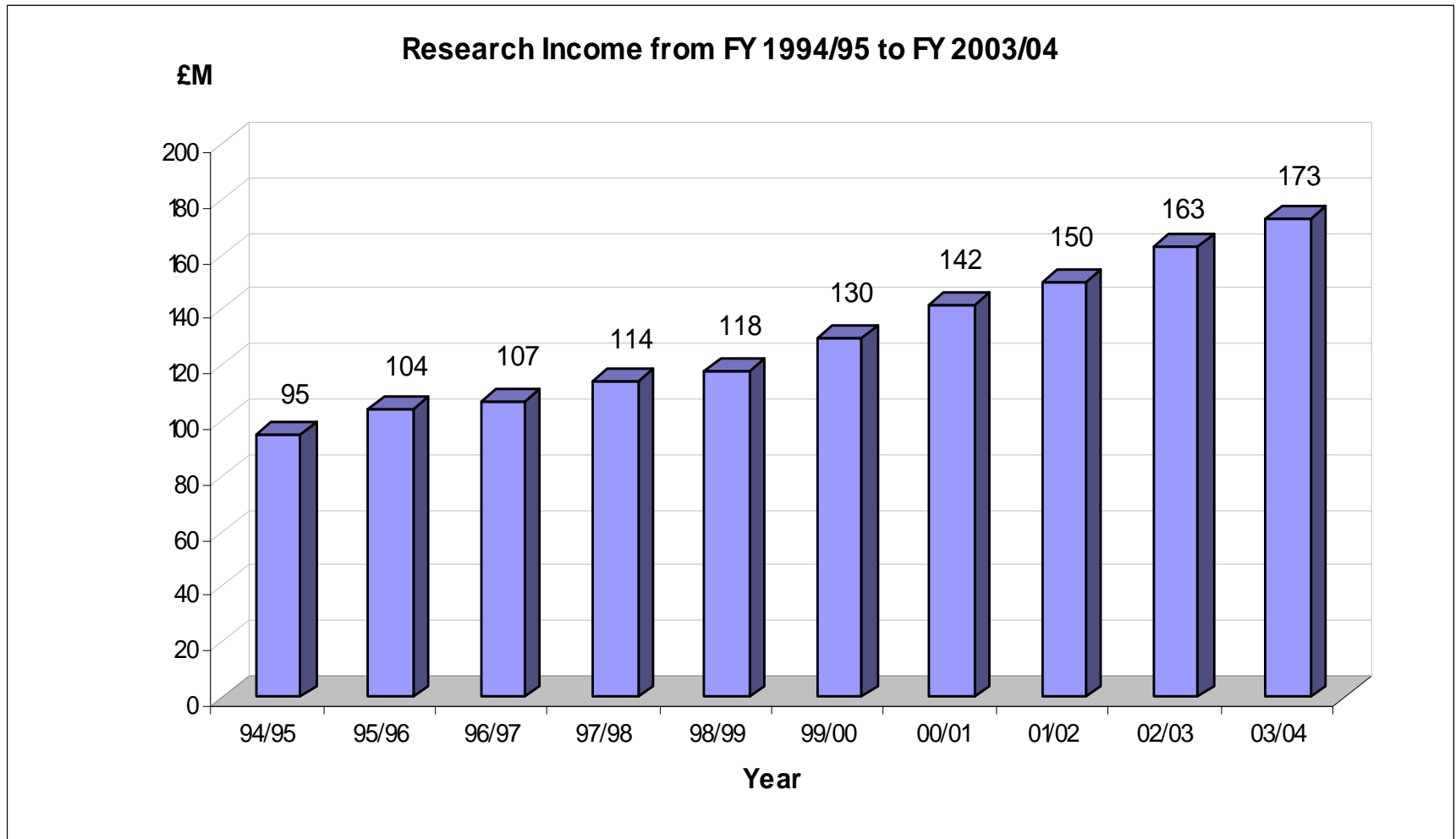
University Income

750M Euros



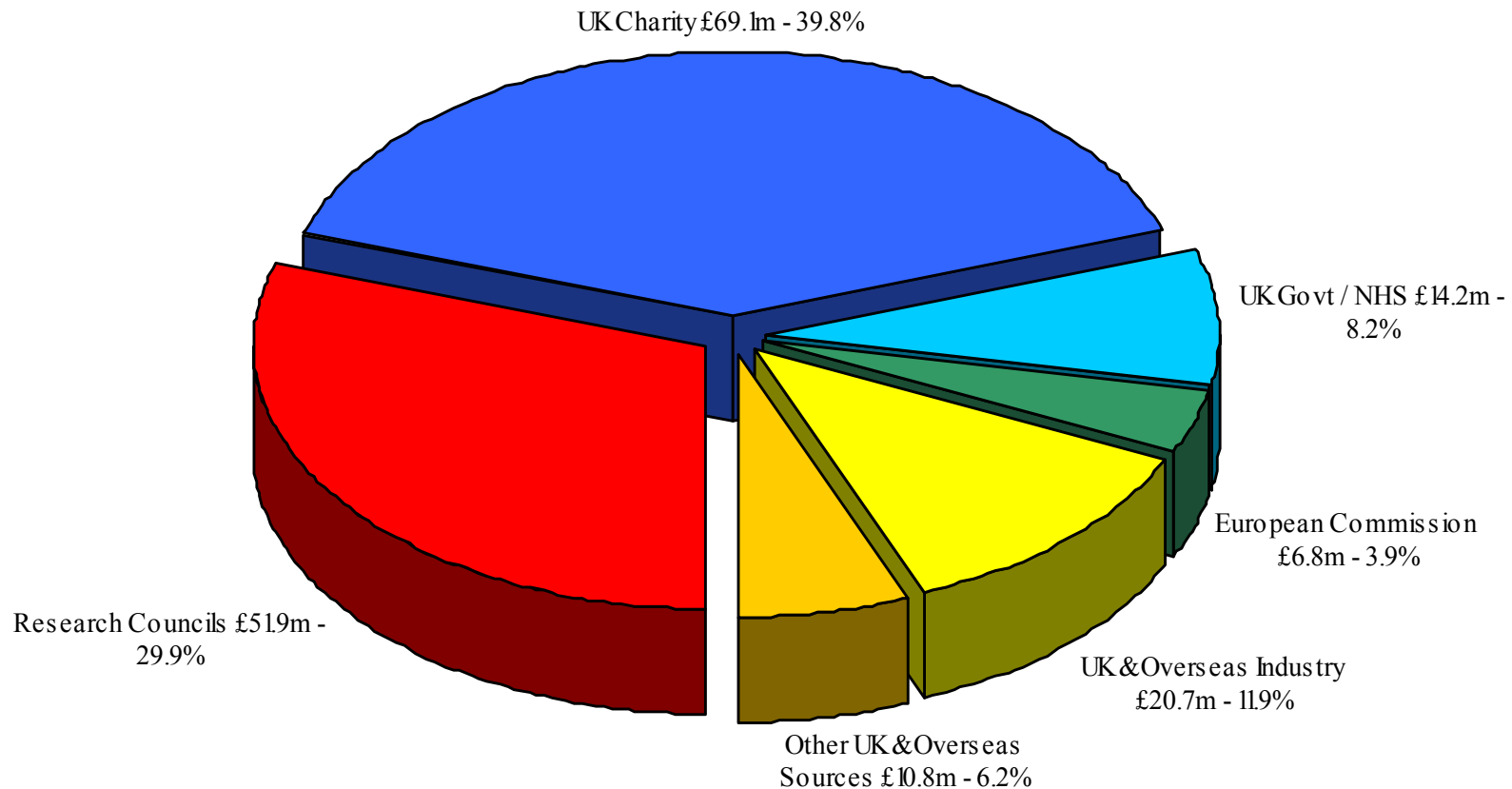


External Research Income (1)



External Research Income (2)

Research Income by Sponsor Type FY 2003/04: Total £173.5m





Mission Statement (Extract)

The University of Oxford aims to achieve and sustain excellence in every area of its teaching and research, maintaining and developing its historical position as a world-class university...

In support of this aim, the University will:

- provide the facilities and support for its staff to pursue innovative research, building upon Oxford's outstanding research record, by responding to developments in the intellectual environment and society at large, and by forging close links with the wider academic world, the professions, industry and commerce...**



From 'vicious' circle ...

How to achieve and maintain excellence:

- Raise profile/awareness
 - publications/citations
- Recruit & retain key academic staff
- Develop and maintain facilities & infrastructure



...to 'virtuous' circle

Through proper funding and investment in
physical and human infrastructure

But

To do so you need know *and* recover your full
economic costs



What is fEC? (1)

A price which, if recovered across an institution's full programme, would recover the total cost (direct and indirect) of the institution, *including an adequate recurring investment in the institution's infrastructure.*



However

- Historically UK universities have had little or no understanding :
 - of the cost of different activities,
 - of the difference between cost and price,
 - that on virtually every research grant awarded the institution would lose money
- Academic staff are motivated to win grants not to worry about financial consequences



and

- UK universities operate in an environment where long term strategic financial planning is challenged by short term ‘easy win’ objectives
- The diverse research funding base and sponsors’ aims are not easily compatible with long term financial planning



Oxford Implementation of fEC

Translating TRAC data to project level

- Oxford one of ten pilot universities
- Started fEC development 2003
- fEC implementation project started June 2004
- fEC implemented at project level September 2005



Motivation for change

For University

- Sustainability
- Recovery of full costs
- Transparency
- Strategic planning

For Researchers

- Unconvinced!
- More transparency
- Better funding
- Funding of academic time



Challenges of Implementation

- Structural
 - how approach project?
 - impact on organisational decision-making
- Cultural
 - how persuade staff of need for fEC?
- Technical
 - understanding & delivering fEC requirements
 - relation to internal charging mechanisms
 - systems requirements



Project Approach

- Steering Committee (academic & management)
 - Costing Working Group
 - Communication/training Working Group
- Project Manager
- Collaboration across central departments
 - Research Services/Finance/Planning/Estates
- Additional staff/resources
 - Additional staff
 - New IT systems



What is fEC? (2)

- **Directly Incurred (DI)**

Additional costs incurred for running the project

- Research assistance / technical support/consumables/etc

- **Directly Allocated (DA)**

On-going infrastructure / support costs

- Academic / research staff time
- Estates charges (allocated per full-time researcher)
- Depreciation

- **Indirect costs**

- General central/local support costs
- Cost of Capital Employed



Key Implementation Issues (1)

Collecting/updating core (TRAC) data across teaching, research and other activities

- Collation of academic activity time allocation
- Identification and apportionment of Estates costs (£ per FTE – eventually £ per m²)
- Identification and allocation of Indirect costs (including cost of capital employed)



Key Implementation Issues (2)

At Project level

- Academic/research staff time estimation
- Applying estates costs at local level
- Cost of major research facilities/services
- Costing/Pricing tools
- Handling fEC on Finance system
- Communication & Training



Key Implementation Issues (3)

Pricing

- Determine pricing strategy
- Price will be dependent on various factors:
 - Type of sponsor
 - Availability of other support e.g. QR
 - Strategic priorities of Department



Key Issues for the Future (1)

- fEC methodology and implementation need refining
 - 3 year timeline
- Embed fEC into research culture
 - resources, cost and price
- Engage with Sponsors of research on fEC
- Monitor impact at all levels
 - volumes, research disciplines, costing methodologies
- More professional approach to research management



Key Issues for the Future (2)

- Align internal resource allocation/charging to fEC
 - avoid conflict/perverse incentives
- Define/Refine research strategy
 - planning and decision-making processes
 - cross-subsidies
- Invest for the future
 - sustainably and continuously
- fEC on postgraduate researchers & teaching



Concluding Remarks (1)

- We are just at the start of the journey to sustainability
- The administrative and cultural impact is significant but necessary
- Success will depend not only on increased public resources but upon changes in culture and behaviour



Concluding Remarks (2)

The funding and long term sustainability of research in universities is crucial to all sponsors of research

This is a partnership between universities and sponsors, both public *and* private