Appendix D

Illustrations of cost recovery on charity and Research Council funded projects

This Appendix describes a standard costing and income model for externally sponsored research projects. The main findings are summarised in the Mapping and Good Practice Report.

The income model is based on the HEFCE research funding method (although it is accepted that this funding is granted to institutions on the basis of a block grant, along with Teaching funding). SHEFC and HEFW funding is on a different basis and is not shown here.

Funding for projects are then matched with a not untypical cost profile of those projects. The two cost profiles shown were derived from discussions with institutions and inspections of a sample of research grant forms.

UoA = unit of assessment (subject) of which there are 69
The 'unit of resource' 2001/02 are the QR funds per research volume (excluding funds for support and tuition of PG research students and funds for London weighting). A unit of research volume is 1.00 WTE core academic member of staff (e.g. permanent investigator, PI).

A description of the (HEFCE) QR funding methodology is given below.

The amount of funding that institutions receive from HEFCE as a result of their charity-funded research can be expressed in terms of a 'unit of resource' (which depends on the total volume of charity-funded research, and the total funds that HEFCE have available. It is also affected by the quality-weighted volumes in each UoA.) The 'unit of resource' is determined by HEFCE each year. The amount received by institutions is calculated in terms of the volume of research, multiplied by the unit of resource multiplied by a quality weighting. The quality weightings are related to RAE rating:

Rating	Weight
3b	1
3a	1.5
4	2.25
5	3.35
5*	4.05

Research work attracts funding through this QR system in a way which is linked to volume factors These are: number of permanent staff carrying out research (receiving 1.0 unit of resource per FTE), numbers of research assistants (receiving 0.1 unit of resource per FTE), numbers of fellows and studentships, and amount of charitable income. The latter is relevant only to charitable work. Up to 2000/01, charitable income received a unit of resource calculated as 0.25*income/25000. In 2001/02 this has been calculated at a lower rate of 0.228*income/25000 to retain the total QR monies allocated on the basis of charitable income at the same overall percentage of QR.

The analysis which follows assumes that the income on charitable work reflects the way in which the HEFCE allocates its' funds to institutions. This is different from alternative approaches which could be based on either:

(a) the way the HEFCE is funded (which arguably does not cover charitable activity
(b) the way that institutions allocate their funds internally. They receive a block grant from the hefce and can allocate this as they see fit. There is a wide range of internal resource allocation methods in use in the sector, and many of these do not reflect the HEFCE methods.

The following pages in Appendix D assume the HEFCE method for income allocation.

unit of resource - 2001-02	rating	hospital based clinical UoA 3	education UoA 68
£ in QR received for each WTE 'core funded' academic	5*	34056	22562
	5	28372	18802
	4	18915	12534
	3a	12610	8356
	3b	8406	5571

The unit of resource for UoA 3 is broadly similar to that for UoAs 1 and 14, which together account for nearly 60% of charitable income.
However, units of resource differ widely. For 5* departments in high cost subjects (UoAs weighted 1.7) they vary from 42,819 to 25,269).
UoA 68 is in the 'other' subjects category (weighted at 1.00) and is the largest UoA there in terms of charitable income although in total it accounts for only 1% of total charitable income.

receivable in funding

from sponsor	charities	Research Councils	EU
direct:			
RA	all	all	all
technician	all?	all?	all
PI	0	0	0
non-staff	all	all	all
overheads:	0	0.46 of tot direct staff costs excl PI	0.2 of tot direct costs excl PI ie income
volume weight for QR (all quality rated)			
per RA WTE	0.1	0.1	0.1
per PI WTE	1	1	1
per £income (.228 * 1 / 25000)	0.00000912	0	0
plus GR (not quality weighted)			0.065 of income

assumed annual costs on project

education

	factor		total costs (irrespective of sponsor)	total direct costs excl PI ie income	total direct *staff* costs excl PI
			£	£	£
direct:					
RA	1		25000		
secl/admin	0.1		2000		
PI	0.2		8000		
non-staff			7000	34000	27000
overheads:	1.25	staff	43750		
total costs			85750		

hospital clinical

	factor		total costs (irrespective of sponsor)	total direct costs excl PI ie income	total direct *staff* costs excl PI
			£	£	£
direct:					
RA	1		25000		
technician	0.5		10000		
PI	0.2		8000		
non-staff			10000	45000	35000
overheads:	1.25	staff	53750		
total costs			106750		

Example of income calculation
based on hospital clinical cost structure

for UoA 3 5*		charities	Research Councils
RA	-1	25000 + (0.1 * 34056)	25000 + (0.1 * 34056)
technician		10000	10000
PI	-0.2	.2 * 1 * 34056	.2 * 1 * 34056
non-staff		10000	10000
overheads:		0.228 * 34056 * 45000/25000	0.46 * 35000
income		69193	71317
deficit as % costs		-35	-33

Variations in assumptions charities R Cncls

for UoA 3 - 5* dept

(the above assumes QR on PI input is attributable to both charities and Research Council projects; also assumes that the technician's costs are funded by the charity)

if the QR on charitable income was still 0.25:

income	70542	71317
deficit as % costs	-34	-33

if there are no technicians on the project:

total costs become 84250

income	56087	56717
deficit as % costs	-33	-33

if the technician's costs are not funded by the charity:

income	56087	71317
deficit as % costs	-47	-33

if the non-staff costs are £35,000, not £10,000:

total costs become 131750

income	103307	96317
deficit as % costs	-22	-27

if overheads are 150% of staff costs, not 125%

total costs become 117500

income	69193	71317
deficit as % costs	-41	-39

Income by research sponsor (including QR)

UoA 68 education	charities	Research Councils	EU
5*	50028	53189	47569
5	47357	52061	46441
4	42904	50180	44560
3a	39936	48927	43307
3b	37958	48091	42471

UoA 3 hosp clin	charities	Research Councils	EU
5*	69193	71317	64217
5	65155	69612	62512
4	58437	66775	59675
3a	53958	64883	57783
3b	50972	63622	56522

Deficit by research sponsor (having included QR)

UoA 68 education		charities	Research Councils	EU
	5*	-35722	-32561	-38181
	5	-38393	-33689	-39309
	4	-42846	-35570	-41190
	3a	-45814	-36823	-42443
	3b	-47792	-37659	-43279

UoA 3 hosp clin		charities	Research Councils	EU
	5*	-37557	-35433	-42533
	5	-41595	-37138	-44238
	4	-48313	-39976	-47076
	3a	-52792	-41867	-48967
	3b	-55778	-43128	-50228

Deficit (having included QR) as % cost

UoA 68 education		charities	Research Councils	EU
	5*	-42	-38	-45
	5	-45	-39	-46
	4	-50	-41	-48
	3a	-53	-43	-49
	3b	-56	-44	-50

UoA 3 hosp clin		charities	Research Councils	EU
	5*	-35	-33	-40
	5	-39	-35	-41
	4	-45	-37	-44
	3a	-49	-39	-46
	3b	-52	-40	-47

Deficit excluding QR as % cost

all ratings	charities	Research Councils
hospital clinical	-58	-43
education	-60	-46

Contribution (excluding QR) to overheads
(as % direct staff costs including PI)

all ratings all UOAs	charities	Research Councils
	0	37
note: required to cover overheads	125	125