

WORKSHOP SUMMARY

The Sustainability of University Research: the Dual Support System

Held at the British Academy on Wednesday 9th July 2003

Sponsored by

Office of Science and Technology and HEFCE

In the Chair: The Rt Hon the Lord Jenkin of Roding

Speaker: Dr Chris Henshall, Group Director, SEB, Office of Science and Technology, DTI

LORD JENKIN opened the workshop saying that this was a timely discussion of a subject essential to the UK Science Base. The basis for the discussion was set out in a consultation paper on the sustainability of University Research produced by a cross-departmental committee under the chairmanship of Dr Chris Henshall of OST*. This was exactly the kind of immediate issue for which the Foundation's workshops could make a contribution.

DR HENSHALL said that it was important to set the proposals in context - there were real problems to solve and a number of individually justified developments had produced some instability. The combination of stagnant QR funding (rising from £900m to £1100m over 10 years), accompanied by a sharp increase of project funding (£700m rising to £2100m) and a poor understanding of the cost base, had led to a crumbling infrastructure, a backlog in maintenance and a recurrent gap in funding. The Government response in three Spending Reviews has been to inject significant extra funding on the understanding that there will be changes towards long term sustainability- it is most unusual that the funding has been provided in advance of delivery. Central to these changes is the need for HEIs to make sure they understand and fully recover the costs of their research taking account of all the funding streams available to them; this was very much a culture change, away from the low price culture that had led to the current problems. The commitment to the dual support system remained, but some changes are needed so as to remove incentives for overtrading and to avoid future funding

gaps. At the heart of this is the need to establish full economic costs at the project level and to revise the terms of trade both between HEIs and Research Councils and also between HEIs and other funders, who must expect to pay more. For the Research Councils this means they will continue to conduct peer review but will also confirm the required level of resource and overall value for money; they would fund at an agreed proportion of the Full Economic Cost (FEC). Within the HEI, the case for support would include an assessment of the full resource required (including staff, equipment and indirect costs) and giving an undertaking that they will find the balance of FEC.

In the following discussion there was general acceptance of the broad aims to deliver a sustainable infrastructure, that overtrading must be eliminated, that additional funding must plug the funding gap rather than increase volume and that the culture change was needed.

Major points from the discussion were:

1. It is not possible to maintain current research volume at current funding, so something has to change. The choice has to be made within the HEI and depends on whether they have enough Quality Research (QR) money; it may lead to Vice-chancellors (VCs) rejecting bids in order to balance their books. However, neither they nor the Principal Investigator (PIs) will know in advance how many grants they will secure so it may be difficult for them to guarantee the balance of FEC.

* www.ost.gov.uk/policy/universityresearch.pdf

2. There were some concerns about perceived lack of coherence between three current consultation exercises. For example the Roberts review assumes increased research volume; and the English and Scottish funding systems are now different. In fact these are being drawn together but the perception exists.
3. There were a number of concerns about the amount of information called for in working out FEC and whether this might be over bureaucratic. The proposal is based on a cautious implementation of the high-level Transparent Approach to Costing (TRAC) methodology developed during the Transparency Review. The devil lies in the detail, but those experienced with similar systems believe the difficulties tend to be overestimated. If overtrading is to be avoided, better informed decisions must be made and these depend on having adequate information available.
4. A number of comments called for greater alignment between the project and QR funding streams since they are in some sense orthogonal. Research Council project funding determines volume and is prospective; QR is not based on volume and is retrospective.
5. The current system contains two perverse drivers - the Research Councils are motivated to increase volume so as to maximise their overall value for money. Meanwhile the Research Assessment Exercise has encouraged HEIs to increase lecturers but to reduce technicians. This could change since the FEC will include staff costs and it must not be forgotten that employment law means these are in effect fixed costs. Any attempt to define an FEC must include staff costs and it is accepted that it will not be possible to achieve instant perfection. For each HEI, the end year cash balance is what matters; meanwhile the Funders Forum will need to focus on this.
6. The Research Councils already take account of value for money; the new proposals put this on a different basis. This could throw into sharp relief differences between intrinsic costs for different institutions and different subjects. In the non-science subjects there is a greater dependence on QR funding and the proposed system might cause this to change. There is a concern that expensive departments might secure less contract research but retain their fixed costs, leading to a downward spiral with overhead rates increasing (and revealed value for money decreasing) as volume decreases. Against this there is a view that value for money would start with assessment of quality rather than cost.
7. Some different issues arise for projects funded by other than Research Councils. Government Departments will have to accept that they pay full costs and therefore must expect to pay more for their research. It is hoped that this should not affect volume, but this depends on them committing more resource to research and it is not clear whether this will happen.
8. In the case of industrial and charity funders, their response to increased charges could be to move their research overseas. Certainly charities would look askance at having to contribute to capital charges within the FEC when they had provided the capital in the first place. Work done for purely commercial purposes (as opposed to collaborative projects) would be on commercial terms and with no Government subsidy. The EU and the Regional Development Agencies are two other significant funding bodies. EU projects provide for a 20% contribution to overheads and appear to be incompatible with securing FEC in line with the proposals. Regional Development Agencies are autonomous and the lack of coordination creates anomalies - for example each of them appears to believe they need a Nanotechnology Centre - but the UK does not need nine of these!
9. Experience suggests reaching a consensus on what needs to be done and implementing the proposals will probably take longer than expected and will certainly require a lot of effort.

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