

## Government commits to support for sustainable and financially robust HEIs

**A**longside its 2004 Spending Review, the Government has published a ten-year investment framework for science and innovation.

In the framework the Government states that it 'remains committed to developing the Dual Support system as the organising principle for funding university research, combining growth in core annual funding for institutions through the higher education funding bodies, with growth in project and programme funding from the Research Councils'.

Working with partners in the business and not-for-profit sectors, the Government aims to build the UK science, research and innovation system over the next decade to deliver its key

strategic aims. These include sustainable and financially robust universities and public laboratories across the UK.

Key financial headlines include:

- an additional £80 million to be provided in 2007-08 to increase the proportion of the full economic costs of projects that Research Councils pay
- the Science Research Investment Fund (SRIF) will remain at £500 million a year, with a SRIF 3 programme planned from 2006-08
- up to £90 million will be provided by 2007-08 through quality-related (QR) research funding to support charity research work.

Both documents can be accessed via the HM Treasury web-site ([www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)).

### Self-assessment of costing and pricing in HEIs by National Co-ordinator highlights challenges for future

Ninety institutions (representing 70 per cent of the sector's income) replied to the self-assessment questionnaire on costing and pricing, sent out in March 2004 by the JCPSG National Co-ordinator. The findings reveal some key issues to be addressed by the sector.

- Transparency Review data supplied to the funding councils are not always approved by committees within the HEI, nor are internal audit reviews always conducted to confirm systems and processes. Institutions now need to have assurance arrangements in place to satisfy the Government and other stakeholders

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NEWSLETTER

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# Joint Costing and Pricing Steering Group

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of the robustness of their systems, as a basis for recovering the full economic costs of their activities.

- Some effort is still required to ensure the full implementation of TRAC (based on 2003-04 data). Some institutions are still grappling with the need to improve estates systems and processes. Many would benefit from involving estates departments to build up the cost model, determine cost drivers, provide cost data by building, and provide data on space usage by department.

- Many institutions have set up steering groups or project teams, but there continue to be major weaknesses in some institutions where costing and pricing strategies are not reviewed by committee, and pricing processes are not integrated with academic and financial decision-making. However, a majority of respondents reported that prices are now set using market-based or cost-based pricing.

Many institutions are now recruiting additional finance or research support staff to help implement better costing systems and processes. Many are also

reviewing their computer systems. Pricing, however, remains a crucial area of consideration.

Best practice recommends that better prices may be achieved by expert negotiation using well-trained and dedicated staff. Readers are encouraged to refer to the following JCPSG publications: 'Developing a pricing strategy in higher education institutions' (July 2002) and the 'Pricing toolkit for the higher education sector' (October 2000), which can both be found at [www.jcpsg.ac.uk](http://www.jcpsg.ac.uk) under 'Resources and publications'.

## TRAC manual volume III: support for implementation

JM Consulting are running a helpdesk on behalf of JCPSG. If you have any queries on the implementation of TRAC volume III, please contact Melanie Burdett on 0117 959 3687, or e-mail [director@jmc1.org](mailto:director@jmc1.org).

Briefing notes on changes to the manual have been issued and can be found at [www.jcpsg.ac.uk](http://www.jcpsg.ac.uk) under 'Transparency Review/TRAC guidance manual and updates'.

Additional copies of volume III are available from HEFCE, e-mail [publications@hefce.ac.uk](mailto:publications@hefce.ac.uk), tel 0117 931 7035.

## Update from OST



Office of Science and Technology

### **T**he Office of Science and Technology has set up a **Dual Support Reform Implementation Group.**

The group includes representatives from OST, Research Councils, Funding Councils, the university sector and charities. It aims to involve a wide range of stakeholders in the project and to oversee implementation.

The UK Research Base Funders' Forum was created as a result of the Government's commitment in the OST report 'Investing in Innovation - a strategy for science, engineering and technology' (July 2002). It has now held four meetings. The forum's remit covers sustainability and research strategies, and its primary focus relates to 'public good' research, defined as research with aims such as producing knowledge, training people and maintaining a healthy research base. Details can be found on the web at [www.ost.gov.uk/fundersforum](http://www.ost.gov.uk/fundersforum).

The 'Cross-Cutting Review of Science and Research', itself a part of the 2002

Spending Review, made a number of recommendations aimed at improving the way Government departments manage and use science to deliver their objectives. Refer to [www.ost.gov.uk/policy/invest-innovation/index.htm](http://www.ost.gov.uk/policy/invest-innovation/index.htm), published on 1 June 2004, to see how Government departments have responded, or intend to respond. The recommendations were also reflected in the 'Investing in Innovation' document.

In particular, responses to the recommendation that: 'Departments [should] ensure that future costings fully take account of cost implications of the Transparency Review, for any contracts they intend to place with HEIs' are detailed at [www.ost.gov.uk/policy/invest-innovation/rec3.htm](http://www.ost.gov.uk/policy/invest-innovation/rec3.htm)

For more information contact Laura Johnson: tel 020 7215 3867 or e-mail [laura.johnson@dti.gsi.gov.uk](mailto:laura.johnson@dti.gsi.gov.uk)

# Joint Costing and Pricing Steering Group

## Transparency Review: HEI reporting for 2002-03

**H**EFCE is the first funding council to report on 2002-03 Transparency Review data. Aggregate data for the UK are given in HEFCE Circular letter 10/2004, available on the web at [www.hefce.ac.uk](http://www.hefce.ac.uk) under Publications/Circular letters.

This indicates that full economic costs exceeded actual recurrent expenditure by over £1,000 million in 2002-03. Although the sector continues to operate in substantial deficit, there has been a reduction in the adjusted deficit in value and percentage, between 2002-03 and 2001-02, as the sector's operating surplus increases towards the level necessary to recover the full costs of activities.

SHEFC has also recently circulated data for Scottish institutions (circular HE/24/04), see [www.shefc.ac.uk](http://www.shefc.ac.uk).

UK aggregated data	2002-03		2001-02		2000-01	
Full costs	£000s	%	£000s	%	£000s	%
Publicly funded teaching	6,847,163	41.4	6,486,128	41.9	6,197,187	42.8
Non-publicly funded teaching	995,730	6.0	887,939	5.7	791,723	5.5
Publicly funded research	4,198,536	25.4	3,903,552	25.2	3,557,123	24.5
Non-publicly funded research	1,986,201	12.0	1,867,551	12.1	1,750,697	12.1
Other	2,519,830	15.2	2,329,033	15.1	2,185,418	15.1
<b>Total costs</b>	<b>16,547,460</b>	<b>100</b>	<b>15,474,203</b>	<b>100</b>	<b>14,482,148</b>	<b>100</b>

Cost adjustments	2002-03		2001-02		2000-01	
	£000s	%	£000s	%	£000s	%
Total expenditure per audited financial statements	15,279,449		14,331,387		13,469,968	
<i>Infrastructure adjustment</i>	<i>436,059</i>	<i>2.9</i>	<i>403,024</i>	<i>2.8</i>	<i>377,374</i>	<i>2.8</i>
<i>Cost of capital employed</i>	<i>828,402</i>	<i>5.4</i>	<i>748,588</i>	<i>5.2</i>	<i>671,098</i>	<i>5.0</i>
<i>Exceptional items adjustment</i>	<i>3,550</i>	<i>0.0</i>	<i>(8,796)</i>	<i>(0.1)</i>	<i>(36,292)</i>	<i>(0.3)</i>
Net adjustments	1,268,011	8.3	1,142,816	8.0	1,012,180	7.5
<b>Total costs</b>	<b>16,547,460</b>		<b>15,474,203</b>		<b>14,482,148</b>	

	2002-03	2001-02	2000-01
Operating surplus/(deficit)	263,623	91,987	29,237
<b>TR Adjusted surplus/(deficit) after TR adjustments</b>	<b>(1,004,388)</b>	<b>(1,050,829)</b>	<b>(982,943)</b>
TR-adjusted surplus/deficit as % of total expenditure	(6.6%)	(7.3%)	(7.3%)

## Policy seminars focus on sustainability

Policy seminars organised by JCPSG for senior officers are looking at the wider issues arising from the implementation of full economic costing, particularly the challenges of sustainability for institutions. This covers such issues as portfolio and project management, resource allocation, and investment in assets.

A key message is that the issues centre around academic policy and behaviour: they are not primarily costing or financial issues that can be delegated to finance. Institutions should be discussing these issues in their senior management teams. Some are already holding awaydays and management meetings on sustainability.

JM Consulting will issue notes on the seminars through the web-site. The sector will also be informed via the JCPSG e-mail bulletin. Copies of the slides used during the seminars to date are now available at [www.jcpsg.ac.uk](http://www.jcpsg.ac.uk) under 'Resources and publications/Conference proceedings'.

# Joint Costing and Pricing Steering Group

## Training to embed costing and pricing

Sector bodies are now engaged in training and ensuring that costing and pricing are embedded within institutions. Following from earlier seminars, the Research Administrators' Group (RAGnet) has published a paper on 'Sustainability and full economic costing: policy and implications'. This is available on the web at [www.ragnet.ac.uk/irma.html](http://www.ragnet.ac.uk/irma.html)

### Management accounting for costing and pricing

The Chartered Institute of Management Accountants (CIMA) is presenting a one-day conference on 15 September 2004, in association with the British Universities Finance Directors Group (BUFDG), on 'Management accounting in higher education institutions: implications for costing

and pricing'. Attendees can expect to learn more on how to improve management accounting systems and processes to meet the new costing and pricing requirements.

More details are on the web at [www.cimaglobal.com](http://www.cimaglobal.com) under 'CIMA Mastercourses/Public sector'.

BUFDG is organising a number of regional training courses on pricing during the autumn. Other planned courses will focus on estates costing (with the Association of University Directors of Estates), performance management, and workshops on full economic costing. Details are on the web at <http://bufdg.niss.ac.uk>

Ideas for further courses or workshops are welcome; please contact John Newton, e-mail [newton@cardiff.ac.uk](mailto:newton@cardiff.ac.uk).

## Research Councils making headway in dual support reforms

The Research Councils (including the Arts and Humanities Research Board) have established a joint project to work on implementing reforms of the dual support system for funding research.

Currently they are focusing on defining the data requirements for Research Council application forms and the associated implications for processes and regulations. These should be published to the sector in September, and will be accompanied by briefing seminars for university administrators. It is intended to have a common set of data requirements for all Research Councils. As part of this process the Councils are working with a consultative group

of research organisations. For further information, contact the project manager Ann Durniat, e-mail [ann.durniat@pparc.ac.uk](mailto:ann.durniat@pparc.ac.uk), tel 01793 442159.

### Sign up for bulletins

The Research Councils have launched a monthly e-mail bulletin about the Research Administration Programme. It will provide useful information on the dual support reform project, changes in Research Council applications, and other news relevant to finance and research staff involved with full economic costing.

E-mail [RAP@rcuk.ac.uk](mailto:RAP@rcuk.ac.uk) to be added to the mailing list.

## EU matters

The Government is holding a consultation on the EU's Framework Programme for research and technological development from 2006. See [www.ost.gov.uk/ostinternational](http://www.ost.gov.uk/ostinternational) for details.

Universities UK is collecting data from institutions to document the financial position relating to EU-funded research activities, particularly the EU Framework Programme. A survey has been sent out to UUK member institutions, to members of the Association for University Research and Industry Links (AURIL) and of RAGnet, and to subscribers to the JCPSG e-mail bulletin. A report of responses will be published and will support discussions leading to a government position paper in the autumn. This will provide the basis for the UK's lobbying activity with the EU. Contact Chris Hale for details, e-mail [Chris.Hale@UniversitiesUK.ac.uk](mailto:Chris.Hale@UniversitiesUK.ac.uk).

The JCPSG National Co-ordinator, UUK and the UK Research Office (UKRO) will be working with several HEIs during the summer to ascertain the impact of using TRAC for costing EU research projects. Contact John Newton for details, e-mail [newton@cardiff.ac.uk](mailto:newton@cardiff.ac.uk).

A recommended costing methodology for European Social Fund projects may be found at [www.jcpsg.ac.uk](http://www.jcpsg.ac.uk) under Transparency Review/TRAC and ESF. A costing methodology for European Regional Development Fund projects should be determined by early 2005.