

Training takes off throughout sector

Training in costing, pricing and related issues has taken off throughout the sector. Over the last few months, the JCPSPG National Co-ordinator has addressed many sector bodies and institutions on the requirements of full economic costing and pricing, intensifying the sector's awareness of the JCPSPG strategy.

Conferences and seminars are being held by a range of bodies, including the British Universities Finance Directors Group (BUFDG), the Chartered Institute of Management Accountants (CIMA), the

Association for Research and Industry Links (AURIL) and RAGnet, the Research Administrators Group Network.

Following a successful event in October, BUFDG will hold a second 'Introduction to TRAC' course early next year. Courses on 'Full economic costing', fully booked within a day, are being held in London and Edinburgh; and one will be run in Bristol on 10 January. Details of all BUFDG courses, including copies of PowerPoint presentations, are on the BUFDG web-site, www.bufdg.ac.uk under Seminars.

Attracting over 200 delegates throughout the UK, CIMA held a conference on 'Management

accounting in HEIs: implications for costing and pricing' in September. A further event, emphasising ongoing best practice in the sector, is planned for June 2005.

BUFDG and the Leadership Foundation are working together to put on a seminar on 'Developing a financial strategy' early in 2005. Aimed at senior administrative managers, the seminar will feature presentations on research, finance, estates, marketing and planning and should stimulate discussion on sustainability.

All sector group training events will be advertised via the JCPSPG E-mail Bulletin, or please contact John Newton, e-mail newton@cardiff.ac.uk.

Government departments should be paying full economic costs of research

Government departments* should expect to pay 100 per cent of the full economic costs of the research that they commission from universities and colleges.

A statement to this effect was issued by the Treasury in February 2004, and reinforced in the 2004 Spending Review announcement (see www.hm-treasury.gov.uk under Spending Review). It grew out of recommendations by the Office of Science and Technology in two reports: the 'Cross-cutting review of science and research', and 'Investing in innovation'.

The OST is providing strong support to the sector to ensure

that departments do comply. It has compiled a government-wide implementation plan showing how departments have met or intend to meet the recommendations from the cross-cutting review.

These recommendations are intended to ensure that:

- science priorities are carefully considered and given proper weight alongside other priorities in spending decisions
- the competence of government departments to act as an intelligent customer for, and manager of, research and scientific advice is improved

- best practice is reinforced.

Nevertheless, there still seems to be a reluctance to pay HEIs more than the historically low levels of costs. The JCPSPG National Co-ordinator is collecting evidence of examples where institutions are meeting resistance from government departments, and will produce a confidential report for JCPSPG, which may be used by OST in its negotiations with departments. Please send any comments to John Newton, e-mail newton@cardiff.ac.uk.

* Department for Culture, Media and Sport, Department for Environment Food and Rural Affairs, Department for Education and Skills, Department for International Development, Department for Transport, Department of Health, Department of Trade and Industry, Department for Work and Pensions, Foreign and Commonwealth Office, Food Standards Agency, H M Treasury, Home Office, Forestry Commission, Health and Safety Executive, Ministry of Defence, Office of the Deputy Prime Minister, Office of Science and Technology.

HEIs show strong commitment to implementing TRAC and full economic costing

Higher education institutions are making excellent progress in implementing the TRAC guidance provided in volumes I and II, according to the first report by the quality assurance (QA) team. This interim report comments on the first 61 visits undertaken, which included all research-intensive HEIs. The final QA report is due in March 2005.

Institutions have demonstrated good practice in many areas, including:

- senior management commitment
- TRAC/full economic costing project groups are in place to oversee implementation
- full economic costing implementation plans are in place or being developed
- a high degree of consistency across the sector for allocation of academic staff time
- internal auditors are involved in TRAC reviews.

A minority of institutions have been asked to provide further evidence to confirm the robustness of time allocation data, due to the low response rates achieved.

Common areas which need further attention to ensure that the

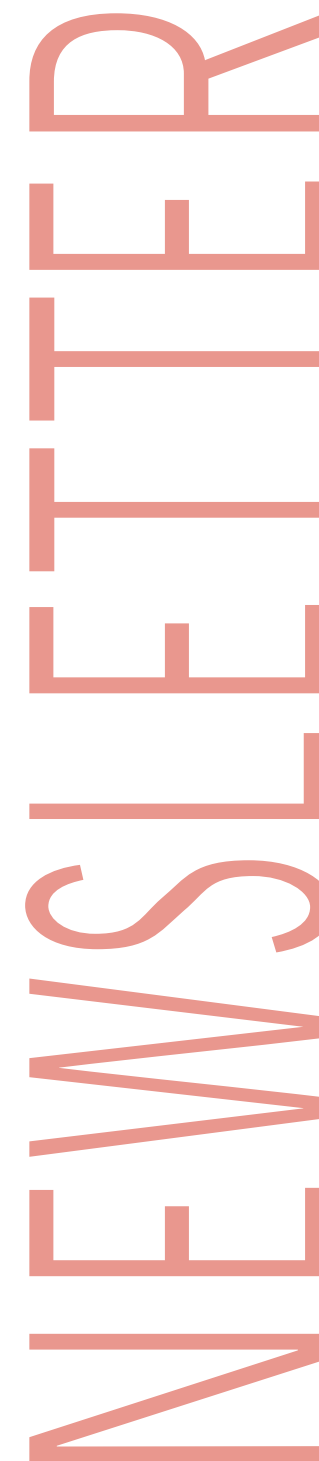
requirements of full economic costing are met relate to the refinement of estates data, cost drivers enabling indirect costs to be calculated robustly for TRAC categories, and data to calculate full-time equivalence.

Further benchmarking

There will be two further rounds of benchmarking: in December 2004 (on 2002-03 data with a submission date of 1 December 2004), and in January 2005 (for 2003-04 data, due at the end of the month with the Transparency Review returns). These will assist in calculating indirect cost rates on the new basis, as outlined in TRAC Volume III and subsequent web updates by J M Consulting; and to establish the default indirect cost rates for the sector.

By 31 May 2005 the QA team must be satisfied that each institution has acknowledged and resolved any weaknesses identified in the confidential report provided following the QA visit. This will enable the individual institution to make Research Council bids on a full economic cost basis from 1 September 2005. This basis allows an institution to use its own calculated rate (not the lower default rate), charge principal investigator salary rates and apply estates rates.

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Suggested Distribution: Vice-Chancellors and Principals, Directors, Pro Vice-Chancellors (Resources and Research), Deans, Heads of Research, Finance Directors and Costing and Pricing Accountants.

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For further information on the QA process, see the HEFCE web-site at www.hefce.ac.uk under Finance/Transparency Review, or contact the JCPSG Project Manager, Andy Beazer (e-mail a.beazer@hefce.ac.uk).

Key dates for TRAC

Date	Action
31 January 2005	Data for final round of benchmarking for QA due
31 January 2005	Institutions should be able to estimate the full economic costs (fEC) of each project
31 January 2005	Transparency Review reporting returns due in to funding councils
March 2005	Research Councils/AHRB issue revised core terms and conditions
Spring 2005	Final report due from QA team
June 2005	New Research Council/AHRB research grant proposal forms issued
Summer 2005	Publish consolidated TRAC guidance
31 July 2005	Final date for acceptance of old (pre-fEC) forms
1 September 2005	Earliest date for acceptance of new Research Council forms

Research Councils /AHRB requirements for grant proposals now on web

The Research Councils and the Arts and Humanities Research Board (AHRB) have published their key requirements for research grant proposals. The 'Summary of requirements' document is on the Research Administration Programme web-site (www.rcuk.ac.uk/je-s).

The Research Councils held a series of eight well-attended regional seminars in October to publicise the revised requirements, focusing on the initial data requirements for full-economic costing. Copies of the presentations are also on the web at www.rcuk.ac.uk/je-s under Regional Seminars. The next series of seminars is planned for spring 2005.

Revised guidance on the pricing of research for non-Research Council funders

Revised guidance on the pricing of research projects is available on the

OST web-site (www.ost.gov.uk/researchdualsupport.htm).

The original guidance and checklist on the pricing of projects for non-Research Council funders, as seen in the Government's consultation document 'The sustainability of university research' (May 2003), has been revised in the light of comments received.

Key messages include:

- institutions must, taking one year with another, recover the full economic costs (fEC) of their research activities from an appropriate mix of external and internal sources
- to do this, they must have in place systems which enable them to estimate with reasonable accuracy the fEC of research at project level, with particular reference to the method of attributing indirect and estates costs to front-line activities, and to the means of reflecting in prices the long-term research infrastructure needs of the institution.

FAQS on fEC

OST has also produced answers to a set of frequently asked questions on full economic costing. See www.ost.gov.uk/research/dualsupport.htm

OECD report sets out sustainability challenges for HEIs

'On the edge: securing a sustainable future for higher education', published by the Organisation for Economic Co-operation and Development, sets out the long-term challenges facing HEIs in their delivery of educational goals.

The document, and the reports for the eight individual countries that informed it, are available on the web. (See HEFCE Circular Letter 17/2004, www.hefce.ac.uk under Publications/Circular letters.)

Sustainability of EU-funded projects is vital to HE

The future financial sustainability of activities funded by the European Union (EU) is of prime importance to the sector. This issue has been raised by Universities UK (UUK) in its response to the Office of Science and Technology's consultation on the latest EU Research and Development Framework Programme.

As the real costs of undertaking EU-funded work are brought into focus, institutions will start to make more explicit choices about the projects they can afford to support.

The problem has already been recognised in the Government's 10-year framework for science and innovation. It states that the UK will press the EU for a higher proportion of the total costs of research projects to be paid, and that any new funds

for basic research should be provided at full economic cost.

Full economic costing means that institutions will have to move from the additional cost model to a full cost model. UUK, JCPSG and the UK Research Office are working together to develop case studies in a number of universities (Brighton, Cardiff, Loughborough, Queen's Belfast, Edinburgh and Heriot-Watt) to document the effects. UUK's response to the consultation also requests that consideration be given to project-based partnership funding, provided at national level, as quality-related research funds from the funding councils may be insufficient.

Please contact Chris Hale (e-mail Christopher.Hale@UniversitiesUK.ac.uk) for further information.

Improved TRAC guidance due in 2005

A consolidated manual of TRAC guidance will be published in summer 2005.

It will bring together:

- the existing volumes I-III
- the four updates to volume III that are on the web at www.jcpsg.ac.uk (under Transparency Review/TRAC guidance manuals and updates)
- and the forthcoming Research Council guidance on full economic costing.

JCPSG is currently preparing a 'super-index' to TRAC guidance, to highlight updates and facilitate cross-referencing.

Good practice case studies: progress report

The first round of case studies, commissioned by JCPSG, has now been completed. Reports giving examples of good practice on costing and pricing for estates and information services will appear on the JCPSG web-site, www.jcpsg.ac.uk under Costing and Pricing/Good Practice.

The estates case study is a joint report by a consortium of universities in Scotland – Aberdeen, Glasgow, Glasgow Caledonian and St Andrews. It has been considered by the Estates Management Statistics (EMS) Group and looks at issues regarding the treatment of estates costs under EMS and TRAC.

The University of Reading, one of the three universities that have prepared separate case studies on the treatment of information services costs, is presenting a paper to the 1994 Group conference in January 2005.

The following case studies have been commissioned, with reports due next March.

- **Liverpool John Moores.** To develop models to test the viability of modules and courses; rolling out these processes from centralised to faculty and school level; developing methodologies for costing additional support services required for franchised courses; and benchmarking these across the sector.
- **Salford.** To establish the full economic costs of activities, the

principles that underpin costings, and the issues that have been or need to be resolved. To provide examples of where the data produced has had a significant impact on decision-making – including pricing, resource allocation, risk analysis and investment.

- **Coventry.** To develop best practice guidance on the implementation of costing and pricing requirements into the accounting system.
- **Coventry.** To develop investment appraisal techniques to incorporate full economic costing in the evaluation of activities.

To contribute to these studies or find out more about their remit, please contact John Newton, e-mail newton@cardiff.ac.uk.