

Full Costing of Research

Strategic Issues & Challenges

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1. Some key principles behind Full Costing
2. What is Full Costing? The UK model
3. Sustainability, Culture, Staff Time
4. Challenges of implementation
5. Relationship with sponsors of research
6. Some issues for discussion

Full Costing: Some key principles

- Consistency (across time and sector)
- Flexibility and choice of methods
- Materiality
- Auditability (of methodology)

What is Full Costing?

“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.”

Includes:

- Additional direct costs of activity (eg. research staff, consumables, travel)
- Academic staff time
- Estates charges (including depreciation)
- Indirect costs (including recurring investment for infrastructure)

Full Costing – the UK Model(1)

Using cost drivers, costs are allocated at institutional level to

- Teaching
 - Publicly funded
 - Non-Publicly funded
- Research
 - Publicly funded
 - Non-Publicly funded
- Other

Full Costing

The UK Model

At Research Project level:

- **Directly Incurred Costs (DI)**
Additional costs incurred for running the project
 - Research assistance / technical support/consumables/etc
- **Directly Allocated Costs (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

Sustainability (1)

- How Full Costing inter-relates with internal resource allocation models
- Having to understand the difference between expenditure and real costs
- Balancing volume with sustainability
- Development of research strategies
- Setting pricing strategies
- Investment in infrastructure

Sustainability (2)

- Value for money
- Competitiveness
- Inefficiency = higher costs?
- Cost adjustments are important

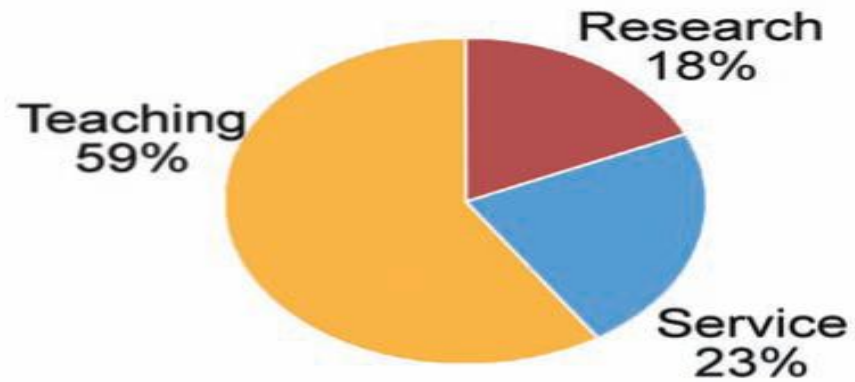
But – helps to demonstrate the real cost of research at project level

Culture

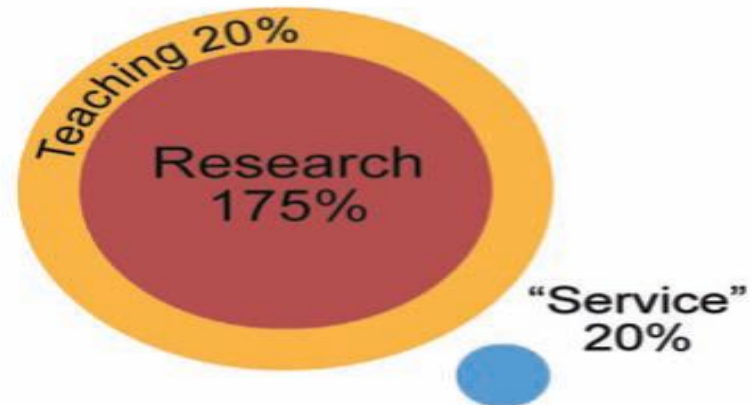
- Motivation for change – different drivers
- Incentives & rewards – flow of funds
- Provision of support and training
- Balance winning funds with covering costs
- If you charge more you need to deliver
- Accounting for time...

HOW PROFESSORS SPEND THEIR TIME

How they actually spend their time:



How departments expect them to spend their time:



How Professors would *like* to spend their time:



Accounting for staff time

Different Models

- Staff surveys
- Staff interviews
- Timesheets
- Profile creation
- Others

Accounting for staff time

The UK Model

- Flexibility in methodology but must update data at least every 3 years
- No time sheets
- Apportionment of time in given period

Oxford Academic Activity Survey

- All academic staff required to complete time allocation over one week each year
- Web based system
- Weeks/academics chosen randomly by system (approx 35 each week, 52 weeks pa)
- Data aggregated to departmental level
- Time allocated to Teaching, Research & Other
- Then broken down to type of activity under each (funding, contact hours, special courses, support, etc)

Challenges of Implementation (1)

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

Challenges of Implementation (2)

The Oxford experience

- Decision-making in a university with a highly devolved structure
 - Subsidiarity
 - Income follows activity
- Academic leadership through a Steering Group
 - PVC Research and Heads of Division
 - Investment in resources
- Coordination across operational units
 - Finance
 - Research services
 - Planning
 - Academic Divisions
- Communication
 - Workshops, Seminars, Targeted training
 - Web pages

Relationship with Sponsors of Research – The UK experience

- Research Councils
 - Clarity of purpose
 - Different concerns over behaviour
 - Value for money?
- Charities
 - Some initial suspicion
 - Better cost recovery
- Government Departments
 - No coordination
 - No additional funding
- US Federal/Foundations
 - Better cost recovery
- Industry
 - High level of suspicion
 - Moving to pricing
 - Improved cost recovery?
 - More professional approach
 - Do we 'sell' IP?

Issues for Discussion

- **Ownership**
 - Who is driving Full Costing
 - Are the objectives clear
- **Culture**
 - What are the motivations for change
 - What behavioural impacts
 - Accounting for time
- **Sustainability**
 - Volume vs sustainability
 - How impact on resource allocations
 - Pricing strategies
 - Incentives/rewards
- **Systems and Expertise**
- **Consequences**
 - Competitiveness
 - Relationship with sponsors