

Allocation of Research Organisations to Efficiency Groups for 2013/14

In March 2011 RCUK published *Efficiency 2011-15: Ensuring Excellence with Impact*, available at <http://www.rcuk.ac.uk/Publications/policy/Pages/Efficiency2011.aspx> which explained the concept of introducing five Efficiency Groups based on the rank order of research organisations' (ROs') indirect cost rates and the relative change in the rate compared with the previous year.

The same basic approach that was introduced for 2011/12 and used for 2012/13 will also be used for 2013/14. The latest (2011/12) indirect rates which were provided by ROs to HEFCE in March 2013 have been used to determine the quartile within which the indirect rate lies. We continue to maintain the 2008/09 indirect rates (provided by ROs to HEFCE in March 2010) as a fixed baseline and so the relative change will be between the 2008/09 indirect rates and the 2011/12 indirect rates.

The thresholds for 2012/13 were -5% and -2.5%. For 2013/14 the relative change is over a three year period rather than two years as for 2012/13 and so for 2013/14 these thresholds have been changed to -7.5% and -3.75%. This means that an RO needs to have reduced its indirect rate by 7.5% or more over the three year period to be assigned to the most efficient group within its quartile range. It will be assigned to the least efficient group within its quartile range if its indirect rate has decreased by less than 3.75% over the three year period.

The allocation of ROs to Efficiency Groups for 2012/13 will therefore be determined as shown on the table below:

Change in rate over three years to 2011/12	$\geq 7.5\%$ decrease	3.75 to 7.5% decrease	$< 3.75\%$ decrease
Absolute rate			
Lower quartile	A	B	C
Middle quartiles	B	C	D
Upper quartile	C	D	E

The Efficiency Factors for the five groups have been maintained as for 2012/13

Efficiency Group	Efficiency Factor
A	0%
B	1.5%
C	3%
D	4.5%
E	6%

These new Efficiency Groups and Efficiency Factors will apply to all new grants awarded by Councils on or after 1st May 2013.