

## Allocation of Research Organisations to Efficiency Groups for 2012/13

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 will be used for 2012/13. The latest (2010/11) indirect rates which were provided by ROs to HEFCE in March 2012 will be used to determine the quartile within which the indirect rate lies. Following feedback from the sector it has been agreed 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 2010/11 indirect rates.

The thresholds for 2012/13 will be -5% and -2.5%. This means that an RO needs to have reduced its indirect rate by 5% or more over the two 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 2.5% over the two 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 two years to 2010/11	≥5 % decrease	2.5 to 5% decrease	< 2.5 % decrease
	Absolute rate		
Lower quartile (less than £34,057)	A	B	C
Middle quartiles (greater than or equal to £34,057 and less than £40,479)	B	C	D
Upper quartile (greater than or equal to £40,479)	C	D	E

Following feedback from the sector it has been agreed to maintain the Efficiency Factor for Efficiency Group A as 0%. The Efficiency Factors for the other four groups have been adjusted slightly to give a more even distribution and will be as follows:

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 1<sup>st</sup> April 2012.