

Research Councils UK

Efficiency 2011-15: Ensuring Excellence with Impact

Changes to Indirect Cost Grant Submissions from 1 July 2011

The Research Councils have sought to implement the recommendations of the Wakeham report in the most administratively straightforward manner possible whilst still ensuring that they meet the financial savings targets specified by Government.

Mindful of this objective, an efficiency factor has been devised which is applied to each Research Organisation's (ROs) indirect cost rate. This efficiency factor is informed by both the absolute indirect cost rate and the year on year movement from the previous year.

Each RO has already been allocated to an Efficiency Group and is therefore should already be aware of its efficiency factor. Where a Research Organisation is using dispensation rates, they will automatically be in efficiency group B. RCUK Assurance will review these efficiency groups annually and will work with the TRAC Development Group to consider alternative possible approaches for the 2010/11 university TRAC rates.

There are five efficiency groups, A to E. The table below sets out the savings expected to be made by efficiency group:

Efficiency Group	A	B	C	D	E
Savings to be made %	0.0%	1.0%	2.0%	3.5%	5.0%

The efficiency factor represents a year on year saving and as such will be applied cumulatively. The cumulative impact will be limited to three years from the start of the grant; from years four onwards the year three factor should be used to reduce the indirect costs.

For example, an RO in Efficiency Group C with expected year on year savings of 2%, a 5 year grant would be calculated as below:

Year	1	2	3	4	5	Total
RO Indexed Indirect Costs	£30k	£30k	£30k	£30k	£30k	£150k
Efficiency Factor Applied	0.98	0.96	0.94	0.94	0.94	
Indirect Costs to be included in Grant Submission	£29.4k	£28.8k	£28.2k	£28.2k	£28.2k	£142.8k

Although previously it was expected that ROs would apply the efficiency factor before submitting proposals to the Research Councils, feedback from ROs has highlighted the administrative difficulties that this could cause. Mindful of the difficulties that arise from requesting research organisations to implement annual variable indirect costs, RCUK will now make the adjustment and proposals should continue to be costed and submitted in the normal way. Initially, until systems can be adjusted to allow the Research Councils to implement a longer term approach, grants will also continue to be awarded in the normal way and RCUK will calculate the indirect cost reductions based on an institution's portfolio of grants, invoicing for these later in the year. These calculations will be based on grants arising from proposals submitted between July 1st 2011 and March 31st 2012, essentially extending the top slicing approach that is currently underway for grants submitted before July 1, 2011. This will reduce to a minimum the administrative changes required at Research Organisations as grant costings will be unaffected by the process.