

# Understanding Research Financials in the Arts, Humanities and Social Sciences

*Research Strategy Clinic AHSS*  
*7 May 2024*

# Aim of today's Research Strategy Clinic

To support researchers and research-enabling staff in planning and funding research by sharing key facts about financial flows regarding:

- **Indirect and estate costs ('Overheads') & TRAC**
- **Teaching replacement**
- **Research v Consultancy**
- **REF QR Funding**
- **Enhanced Financial Transparency**

Followed by a:

- **Q & A**



# Key Messages - School approach to external research funding

## Applying for external research funding can bring the following benefits:

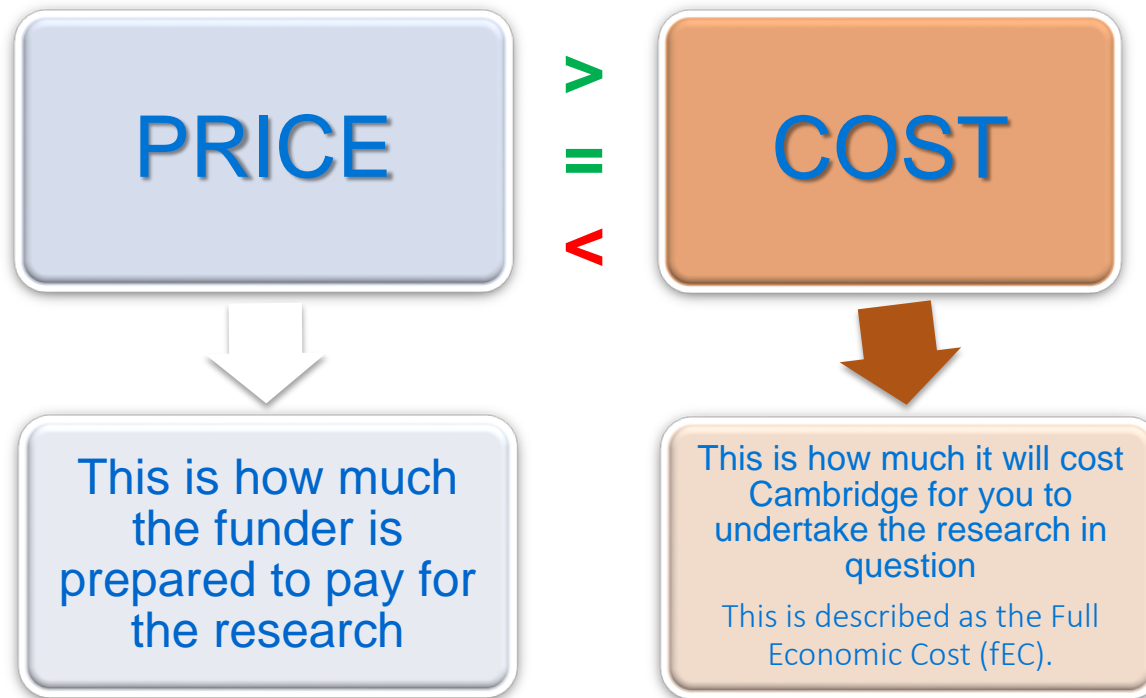
- A chance to explore new research avenues within a team working environment and stimulate excitement around this intellectual endeavour
- Potential to expand collaborative networks at UCAM, nationally, internationally, across disciplines, and increase visibility of research and its impact.
- Building of capacity within the PI's research area:
  - Providing skilled PhD students with the opportunity to progress into postdoctoral positions or postdocs to stay in research
  - Supporting PI/Co-I's career progression (e.g. senior academic promotions)
- Opportunities to increase the PI's grant-making and management experience.
- Securing additional resources for the project, e.g. complementary expertise or allowing for additional capacity for the PI to dedicate time carrying out exciting research

**SAH/SHSS have no targets to bring in research income.**

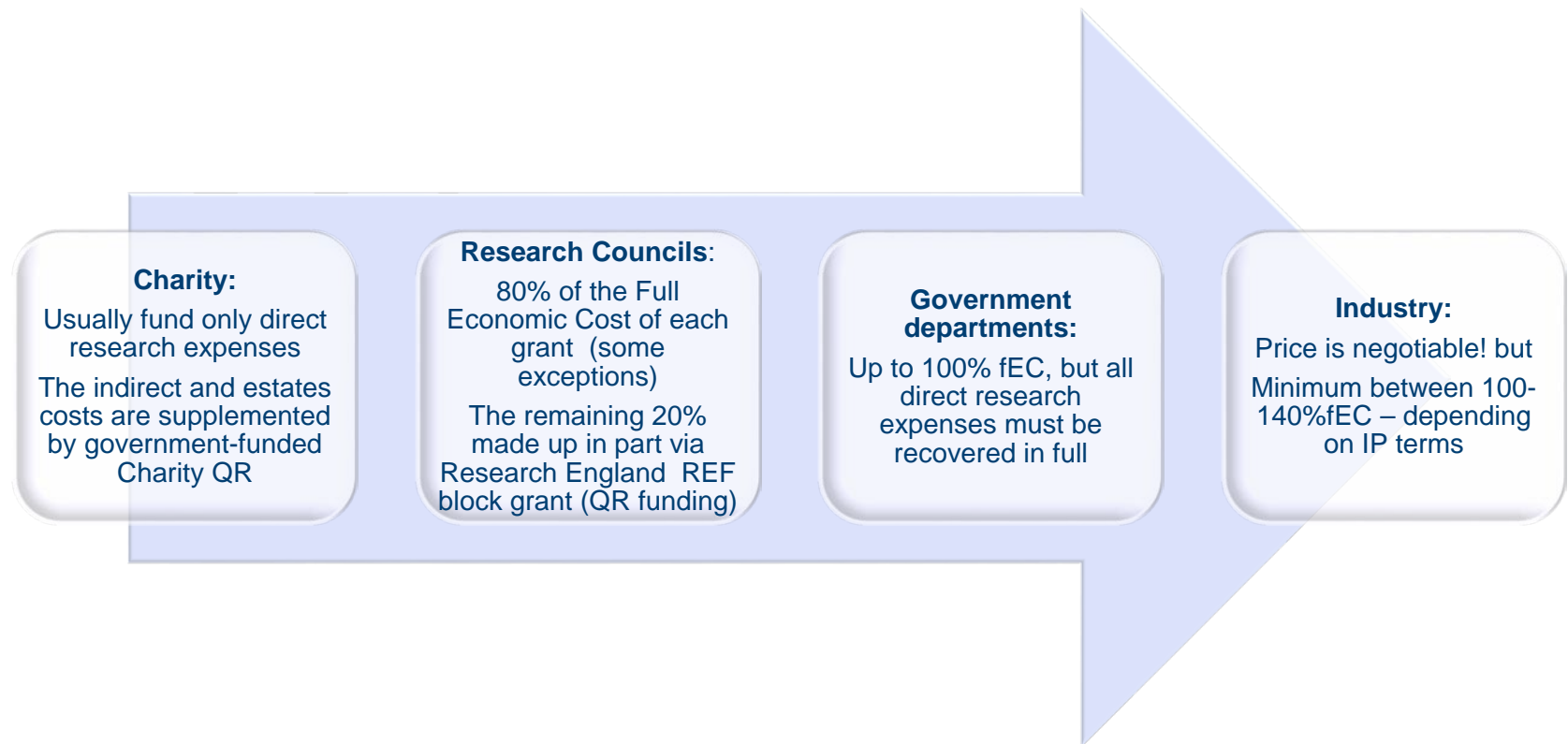
**There are varied research portfolios across AHSS but where similar opportunities by different funders exist choosing funding route that brings better overheads support sustainability of Department and University long term e.g. contributes to REF and therefore QR income**

# Indirect and Estate Costs (**'Overheads'**) and TRAC

# Cost vs Price



# Funding contributions by funder type





# Full Economic Costing (fEC)



fEC is:

*“a price which, if recovered across an institution’s full programme, would recover the total cost (direct, indirect and total overhead) of the institution, including an adequate recurring investment in the institutions infrastructure”*

Included in UKRI grant Terms & Conditions since April 2006

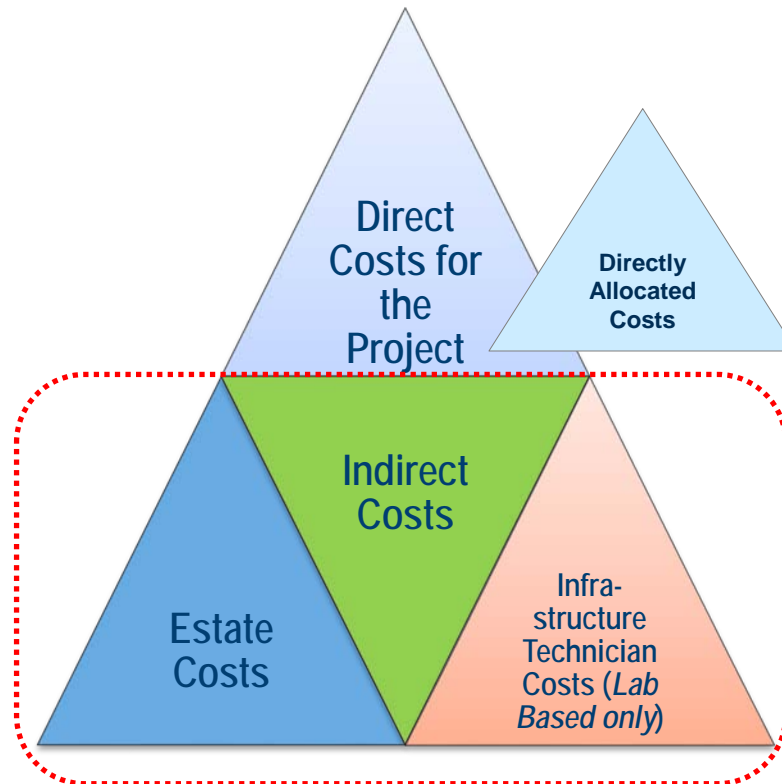
# What constitutes full Economic Costing?

## Two rates:

- (1) laboratory and
- (2) office/classroom

## Includes:

energy/water costs,  
depreciation of buildings and equipment,  
cleaning/custodial services, repairs & maintenance



## Indirect Costs:

Library  
HR Services  
Payroll  
Central IT  
Finance  
Research  
Operations Office  
Includes  
departmental support staff,  
office supplies,  
postage,  
computers



# How do Universities calculate the fEC?

The Total Annual cost to the University of running Research from TRAC:

## The Formula

Indirect Costs *plus* Estates *plus* Infrastructure  
Technicians



Academic FTEs (TAS-based) *plus* Research Staff  
FTEs *plus* Research Student FTEs



Costs per FTE for each Category (*Indirect, Estate  
and Infrastructure Technicians*)



# Transparent Approach to Costing (TRAC)

fEC is calculated using TRAC methodology – a national model directed by OfS/UKRI used across the UK HEIs for the production of consistent and transparent research project costs.

- Every University's TRAC model has to include **all University expenditure and income from their audited financial statements** – no exclusions
- TRAC also requires institutions to include a sustainability margin for future investment (called MSI). Cambridge's MSI is fully aligned with the sector at 10% of the fEC.
- In TRAC, the income and expenditure in the financial statements are split between those which relate to teaching, research and other activity (or T,R,O).
- All of the University's research costs are split further between
  - direct research costs – i.e. those activities likely to lead to a research output
  - research support (or indirect, estates and technicians costs)
- The methods and assumptions used in TRAC to do this analysis are common across the sector and are based on surveys such as the time allocation survey, TAS.
  - E.g TAS is used to estimate the % split of academic pay costs between T, R, O based on the responses that academics provide in the TAS.

# Transparent Approach to Costing (TRAC)

## Using TAS to allocate Academic department costs to TRO

- TAS is a statistical survey with results used at departmental level only.
- It is NEVER used for performance monitoring or used at the level of an individual academic.**
- Academic pay costs for direct research activities (e.g. sponsored or University funded research) do NOT form part of the indirects for recovery
- Where academics indicate they spend time on support activities, the cost of this is included in the indirect costs and in research FEC rates
- It is important, that that academics accurately record the cost of the time that they spend on direct and support activities. Too much time or too little time could distort the FEC rates.
- Find out more about which activities are the direct costs and which are support costs at:

<https://www.tas.admin.cam.ac.uk>

Example of a TAS survey form

(please input hours to nearest ¼ hour as decimals, e.g. 0.25)		Actual hours worked
		University duties
Research	Postgraduate Research (PGR) Student Supervision & Training <i>(note)</i>	<input type="text"/>
	Clinical Service <i>(note)</i>	<input type="text"/>
	Direct Research	
	Research Councils (inc. British Academy & Royal Society)	<input type="text"/>
	UK Government (inc British Council)	<input type="text"/>
	EU government bodies (inc European Commission)	<input type="text"/>
	UK Charities	<input type="text"/>
	Industries	<input type="text"/>
	Other (all other sponsors not included above, inc. Overseas funders and EU Industry and College paid Research)	<input type="text"/>
	No external sponsor/ University	<input type="text"/>
	Support for Research <i>(note)</i>	<input type="text"/>
Teaching	Undergraduates	
	Direct Contact <i>(note)</i>	<input type="text"/>
	Preparation/Assessment <i>(note)</i>	<input type="text"/>
	Taught Postgraduates (PGT)	
	Direct Contact <i>(note)</i>	<input type="text"/>
	Preparation/Assessment <i>(note)</i>	<input type="text"/>
Clinical Services <i>(note)</i>	<input type="text"/>	
Support for Teaching <i>(note)</i>	<input type="text"/>	
CPD		
Other Activities	Continuing Professional Development/Scholarly Activity <i>(note)</i>	<input type="text"/>
Other Activities	Consultancy/Other services rendered <i>(note)</i>	<input type="text"/>
	Clinical Services <i>(note)</i>	<input type="text"/>
General Support	Support to Other Activities <i>(note)</i>	<input type="text"/>
	General University/College/Faculty/Department Administration <i>(note)</i>	<input type="text"/>
	Service to Society and Public Engagements <i>(note)</i>	<input type="text"/>
Total hours worked in week		<input type="text"/>

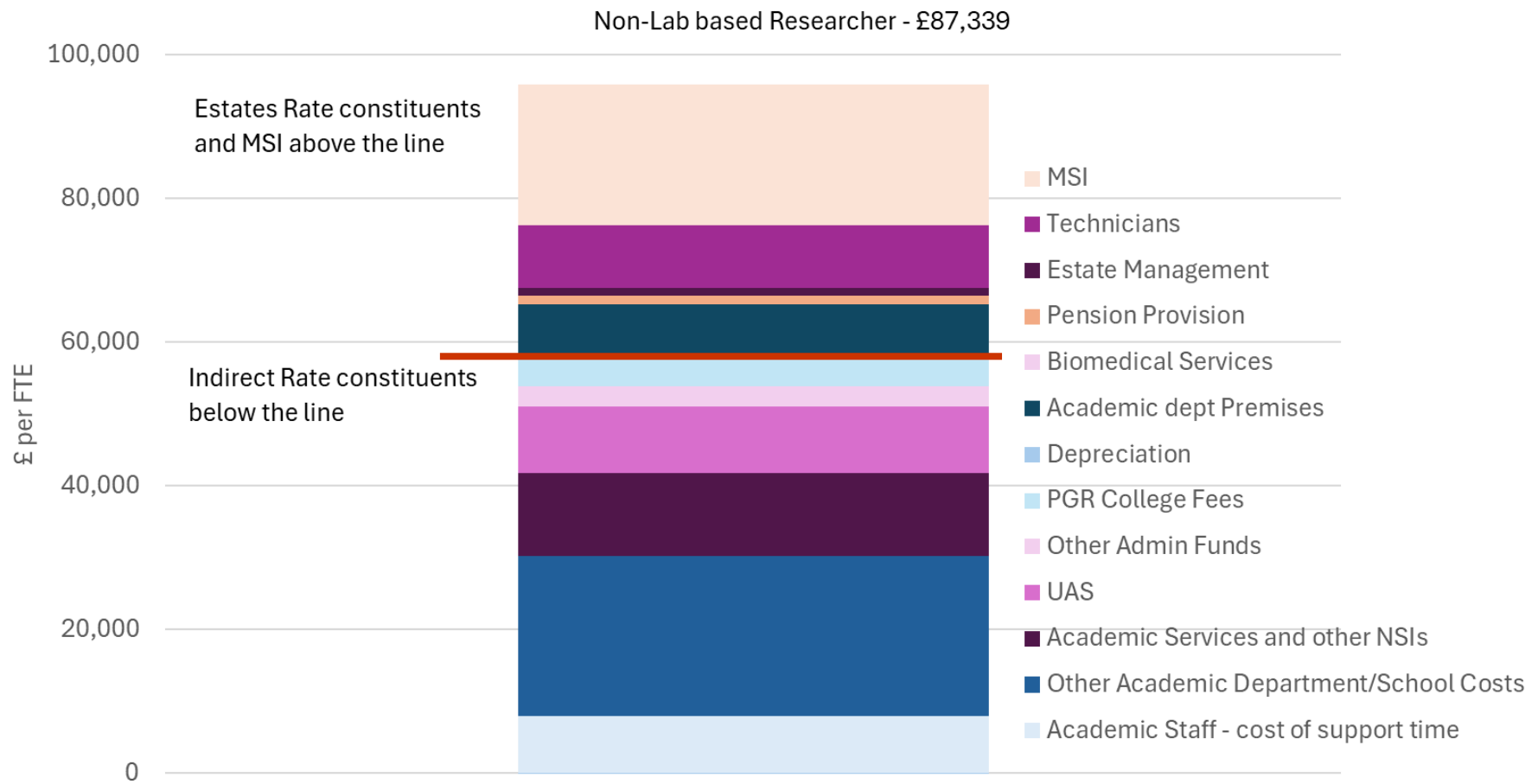
# Estates & Indirects

1 <sup>st</sup> Feb 2023 – 31 <sup>st</sup> Jan 2024	<i>Cost per FTE of Research Staff on project, per year</i>
Estates - <i>Labs</i>	£ 20,304
Estates – <i>Non-Lab (Office)</i>	£ 12,355
Indirects	£ 74,984
Infrastructure Technicians	£ 1,786

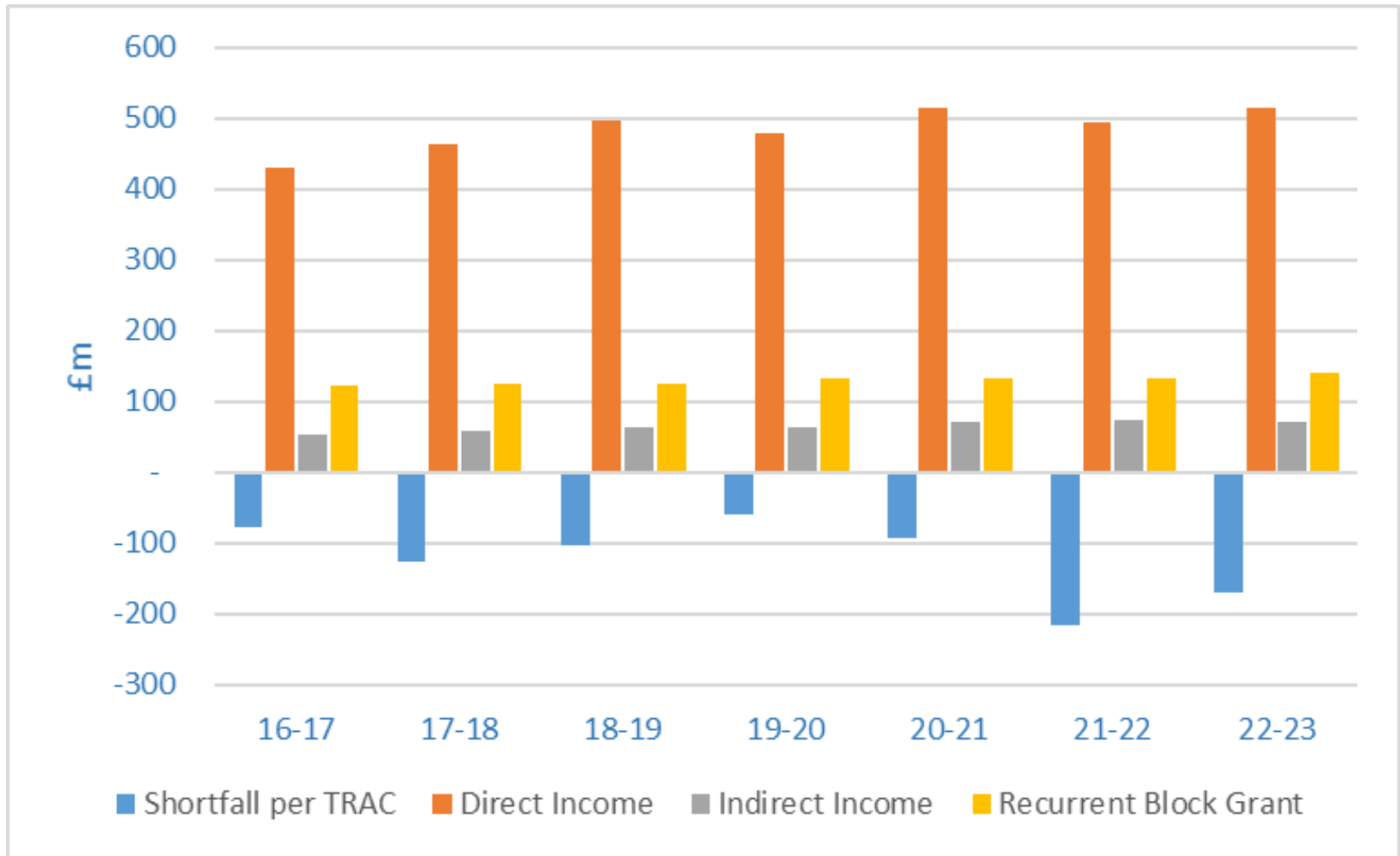
[Source: University of Cambridge fEC Rates | Academic and Financial Planning and Analysis](#)



# The University's constituent costs of the Estates & Indirects



# How Research at the University is Financed



# Income Allocation Policy (IAP)

RG & C Income Policy for 'overheads'	Income policy <a href="https://www.prao.admin.cam.ac.uk/resource-allocation/research-income-allocation-policy">https://www.prao.admin.cam.ac.uk/resource-allocation/research-income-allocation-policy</a>	
	Chest	Dept
Research Councils	80%	20%
UK Government		
UK Charity		
Royal Society		
British Academy		
Other (e.g. overseas)		
EC Overhead	50%	50%
EC PI costs only		
Industry		



Where a project is undercosted, the Department needs to **cover financial shortfalls** on a grant!



# TRAC summary

- Full Economic Costing (fEC) and TRAC as **government-directed standard costing methodology** for UK HE sector.
- Underlying principle of fEC using TRAC is transparent way of establishing true cost of research to inform the amount requested from funders (the price) for future research activity.
- TRAC is based on the University's income and expenditure from the audited financial statements
- **Better engagement with TAS and space surveys helps to provide better analysis of University's expenditure in support of research, which in turn produces fEC rates which are appropriate for the size of our research cost base are financially sustainable and competitive.**
- Indirect rate expenditure **includes academic department costs as well as central professional services** costs. Estates costs are directly related to the size of our physical estate and the cost of maintaining it.
- Increased expenditure across the University (including from academic and non-academic departments) leads to a higher rate per FTE. Underestimating or overestimating our support costs of research will directly impact our fEC rates.
- Understanding how much research income the University earns in relation to the full economic cost of research is important for financial sustainability. Research costings should include all eligible costs and where we can recover some of our support costs through fEC rates or overheads we are ensuring that we do so.



# Teaching Replacement

Funder type	Teaching replacement costed	Overhead	Overhead share (Chest : Department)
Charity	Some (e.g. Leverhulme Trust, Wellcome Trust)	Generally not	None
Research Council (e.g. UKRI, BA)	No	Yes (80% fEC)	80 : 20
EC	No	Yes (Direct costs plus 25% overhead)	50 : 50
Government	No	Yes	80 : 20
Industry	No	Yes (100/120/140%fEC or more)	50 : 50
Donation for Research	Possibly	Yes (~30% ICC on staff costs)	None



- Some funders pay for teaching replacement costs (e.g. LT, WT)
- Some pay overheads (UKRI, BA) – Departmental share of overheads can be a source of teaching replacement costs
- If you are overcommitted seek a conversation with your Department.
- Teaching replacement requires discussion with HoD when planning to apply (resources; teaching cover)

# Research vs Consultancy

# Consultancy

- Not a research activity (as per [Frascati definition for research](#))
- Personal liability
- No recourse to Department facilities and support (unless Departmental trading activity)
- Ownership of results is by funder
- Limitations of involvement (up to 20 working days p/a)
- Costing should be 140% fEC

# Costing methodologies (UCAM internal only)

Funding route	Research grants and contracts (Research Office)	Consultancy (e.g. CUTS)	Philanthropy (CUDAR)
Sponsor type			
Charity	Direct costs only (or more if sponsor allows)	(mostly charity, industry or government)	(mostly charity or industry)
Research Council	80% fEC (or max. as per scheme)		Costs for endowments check CUDAR
Industry	Min. 100%/120%/140%+ fEC depending on requested IP terms + VAT (additional income benefits department/PI)	Min. 140% fEC +VAT (note CUTS service charge)	Research projects costed in department: Direct costs + 30% ICC (or more)
Government	Up to 100% fEC depending on scheme; min. all direct costs		
Further comments	<p>Department and Research Office sign-off required</p> <p>Submitted to REF</p> <p>Funding research (<a href="#">OECD Frascati definition</a>)</p>	<p>As <b>private activity</b> of academic cannot interfere with UCAM employment duties;</p> <p>discuss with HoD (especially for departmental trading)</p>	<p>Department/School sign-off required &gt;£100k cumulative</p> <p>May be submitted to REF (if Donation for Research)</p>

**NB: Always ensure that X5 costing is used to determine price and price approved by department; usually only share price (not cost breakdown); if further breakdown required liaise with CRO and Department**

**NB 2: VAT charges may apply to all sponsor groups. Check with the University Tax Office if in doubt.**

# REF Quality-related Research Funding

# REF QR – Cambridge Funding from REF 2021

## Research England Grant Funding 2022/23 – £172m

- Mainstream QR - £80m
- QR Charity Support Fund - £32m
- QR Business Research Element - £8m
- QR RDP Supervision Funds – £19m
- Other Research Funding - £6m
- HEIF - £6m
- HEI Research Capital Funding - £21m



# REF QR – Cambridge Funding from REF 2021

- Mainstream QR is the part of [the money Research England allocates](#) to universities based on universities' performance compared to each other. Performance is measured by the Research Excellence Framework (REF) exercise.
- REF 2021 measured performance in three categories.
  - **“Outputs”** (products of research effectively shared – i.e. publications and other forms of research sharing).
  - **“Impact”** (an effect on, change or benefit to the economy, society, culture, public policy or services, health, the environment or quality of life, beyond academia).
  - **“Environment”** (the vitality and sustainability of the discipline).
- These are called the “sub-profiles.” In the results and the funding settlement, for REF 2021 sub-profiles were weighted; Outputs 60%, Impact 25%, and Environment 15%. This is changing for REF2029!
- Universities are assessed by each of these factors on a per discipline basis. REF 2021 divided research areas into 34 disciplines, called [Units of Assessment](#) (UoAs). Cambridge submitted to 30 UoAs in total, 17 of which are based in the AHSS. UoAs are arranged into four main panels; broadly, clinical and biological science (A), physical science and engineering (B), social science (C), and arts and humanities (D).
- Once all the [results are determined for Universities](#), a formula is used to work out how much money each university will get for each part of its submission. The money is divided in a **step-wise process**.

# REF QR – Cambridge Funding from REF 2021

## Step 1:

The budget is divided into three pots, one for each sub-profile.

## Step 2:

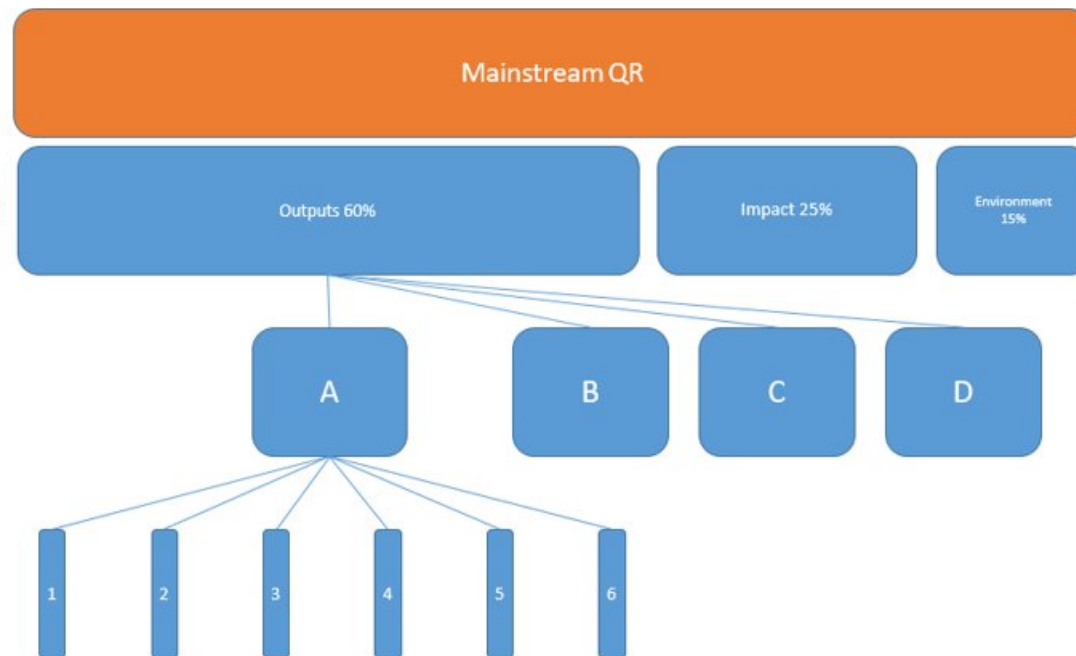
The pot for each sub-profile is divided between the four main panels in proportions set in the previous exercise.

## Step 3:

The pot for each Main Panel for each sub-profile (e.g. Outputs for Main Panel A) is then split between the Units of Assessment in that Main Panel.

## Step 4:

Divide the pot for a sub-profile in a UoA (i.e. Outputs for UoA 1 – Clinical Medicine) between the universities that submitted to that subject.



$$\text{Quality Weighted Volume} = (\% \text{ activity 4 star} \times 4 + \% \text{ activity 3 star}) \times \text{FTE}$$

$$\frac{\text{Cambridge Quality Weighted Volume}}{\text{Sum of Quality Weighted Volume for Unit}} \times \text{Total QR Allocation for Unit}$$

# REF QR – Cambridge Funding from REF 2021

- In the last step, Cambridge's market share is worked out and multiplied by the QR allocation for the unit sub-profile as determined by steps 1-3.
- Because market share is calculated across a number of different inputs, the amount that an individual output or impact case study contributes to REF varies according to context. What Cambridge earns from the next 4\* output might be different to another university. Despite this, using the above it is possible to give indicative figures for the impact each 4\* output or case study did for Cambridge's financial outcome. Averaging across Main Panels evens out some of the contextual variation.

	4* Output	3* Output	4* Impact Case Study	3* Impact Case Study
Main Panel A	£12,000	£3,000	£167,600	£47,900
Main Panel B	£13,000	£3,300	£156,800	£40,600
Main Panel C	£7,100	£1,800	£63,000	£15,400
Main Panel D	£7,900	£2,000	£81,000	£17,000

For any follow up queries, please contact [REF2029@admin.cam.ac.uk](mailto:REF2029@admin.cam.ac.uk)

# REF QR – Cambridge Funding from REF 2021



# REF QR – Current Income Flows

- Currently REF QR funding flows into the University from Research Councils as Chest Income
- Referring back to the "Funding Contribution by Funder Type" earlier slide – REF QR makes up in part the unrecovered 20% cost of the Full Economic Cost of each grant.
- This element is, among other things, to fund sufficient infrastructure in Cambridge to enable research activity of all kinds to be carried out.
- Chest Income (including REF QR) is allocated to Schools as a Chest budget – used to fund core UTOs, support staff and general operating costs of Institutions.

# Moving to Enhanced Financial Transparency (EFT)

# Moving to Enhanced Financial Transparency (EFT)

- EFT is planned to be introduced in early 2027
- Under EFT management information will show:
  - Direct income earned by Institution (including REF QR)
  - Direct expenditure incurred by Institution
  - Indirect costs incurred across the University attributed to the Institution in supporting their activities.
- *Therefore* income flows and all costs will be more visible at an Institution level
- Contribution targets will be set by School on the above
- How this will operate in practice is still under development –  
*further information will be shared as details emerge*

# Where to find support

[Principal Investigator Programme](#) (Sharepoint site) provides information and guidance on the various aspects of the Grant Lifecycle

[AHSS Research Funding and Strategic Initiatives](#) for details of arts, humanities and social sciences related funding opportunities, resources to support development and training, and contact details for the [Research Facilitation Team](#)

[Research Grant Administrators](#) as first point of contact for costing and pricing a research project

[Research Operations Office](#) for guidance and tools to help researchers find funding, prepare an application and manage a grant.



# Q & A

*What did you learn today that surprised you?*

Thank you for joining us today!

Please direct general queries to:

[AHSSResearchStrategy@admin.cam.ac.uk](mailto:AHSSResearchStrategy@admin.cam.ac.uk)

A copy of the slides and recording of the presentation will be available on [Research Strategy Clinic Series | Arts, Humanities and Social Sciences \(cam.ac.uk\)](#)

