

Introducing an effective research cost recovery system - UCT's experience

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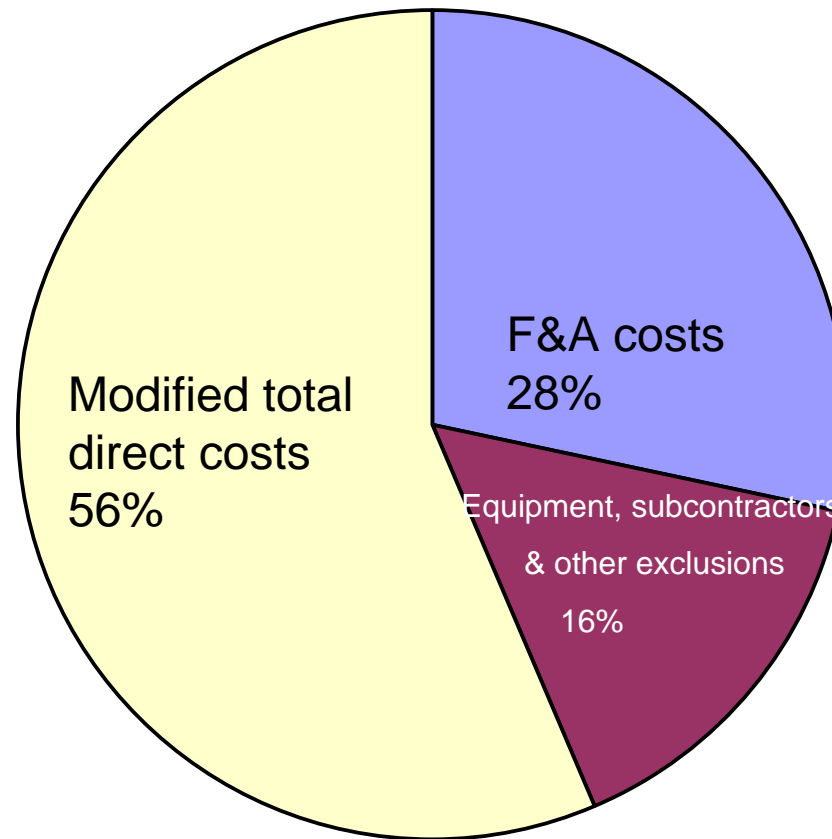
Sponsored research at UCT and the 10% “levy”

- 5-10% growth p.a. of sponsored research to over R300m.
- Expanded research base but no recovery of associated indirect costs.
- 1997 – 10% “levy” introduced
- No requirement to charge for researchers’ time
- waivers considered on application on a case by case basis.

Problems encountered with the “levy”

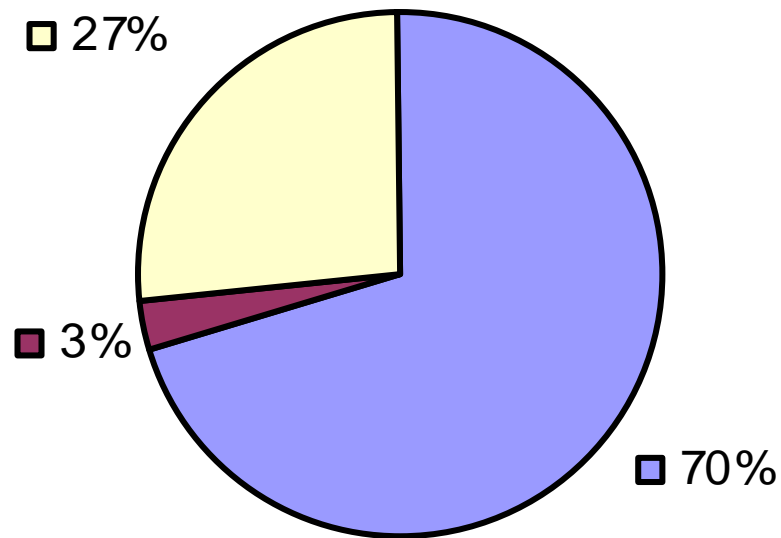
- Not meaningfully related to actual costs.
- Penalised projects with high direct costs relative to staffing costs.
- Seen as a “tax” by researchers
- Disliked by funding agencies
- Did not cover full costs of research

US Federally Sponsored Research Costs



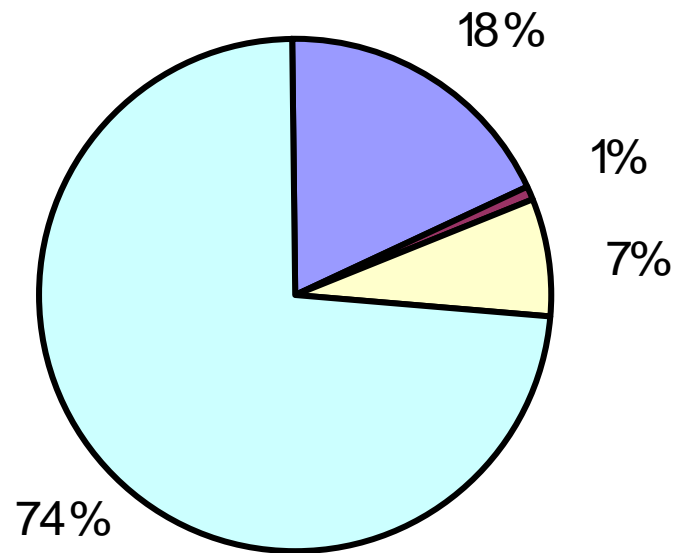
Data from: Rand Corporation
Report: Charles A. Goldman, Traci Williams, David Adamson, Kathy Rosenblatt, "Paying for University Research Facilities and Administration"
http://www.rand.org/pubs/monograph_reports/MR1135-1/index.html

UCT Sponsored Research Income and Costs



- Sponsored Research (state and other sources)
- Sponsored research - indirect costs recovered
- Indirect costs not recovered

UCT's Total Income and Costs



- Sponsored research (state and other sources)
- Sponsored research - indirect costs recovered
- Indirect costs not recovered
- Fees, state subsidy etc

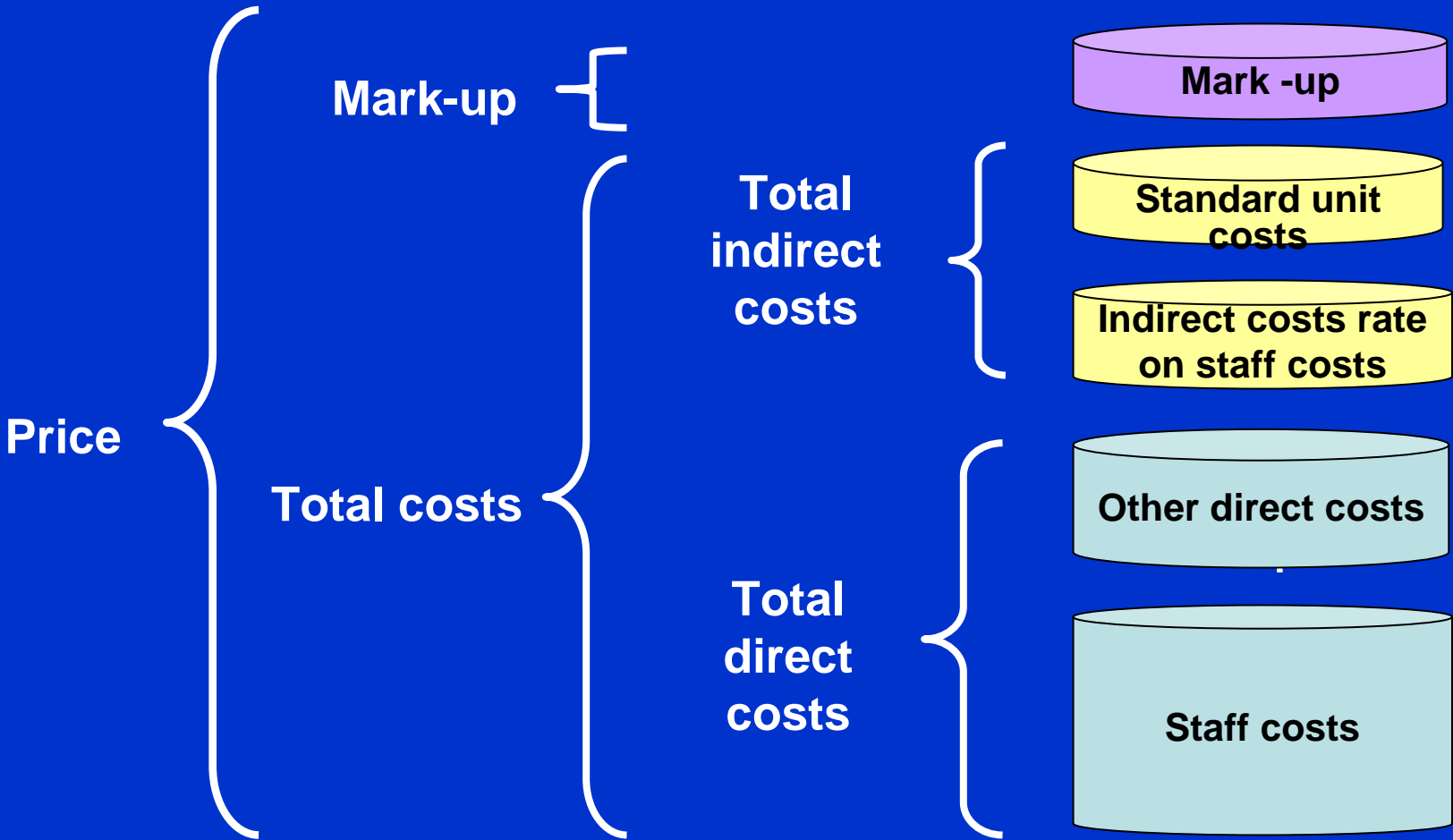
The new full cost approach to costing and pricing

- 2003 - New “full cost” costing and pricing policy for research contracts introduced.
- All direct and indirect costs to be taken into account when budgeting.
- An Excel template developed to assist researchers in budgeting, and to automatically calculate indirect costs
- Full implementation expected to take 3 to 4 years mainly because of existing contracts/commitments

The new full cost approach to costing and pricing (2)

- Budgets and overhead rates to be approved at faculty level
- Approach similar to the US federal F&A cost model and in line with DST's proposed Framework for IPR from publicly financed research
- Indirect cost rates calculated on staffing costs rather than an "adjusted direct cost" basis.
- "Standard unit costs" calculated separately and to calculate the basic

The new full cost approach to costing and pricing



How do we calculate these costs?

Mark-up

← Depends on nature of funding and what the market will bear

Standard unit costs

← Includes space charges, library, network access and fund management – pro-rata according to contract period and number of staff.

Indirect costs rate on staff costs

← Covers all costs incurred via the support provided by the dept, faculty and university in general (e.g. research office, contracts office, finance, HR, registrar's office, communications office etc)

Calculated as a percentage of staffing costs for the project. (varies by faculty)

How do we calculate these costs?



Other direct costs

← Includes equipment, consumables, sub-contractors etc.

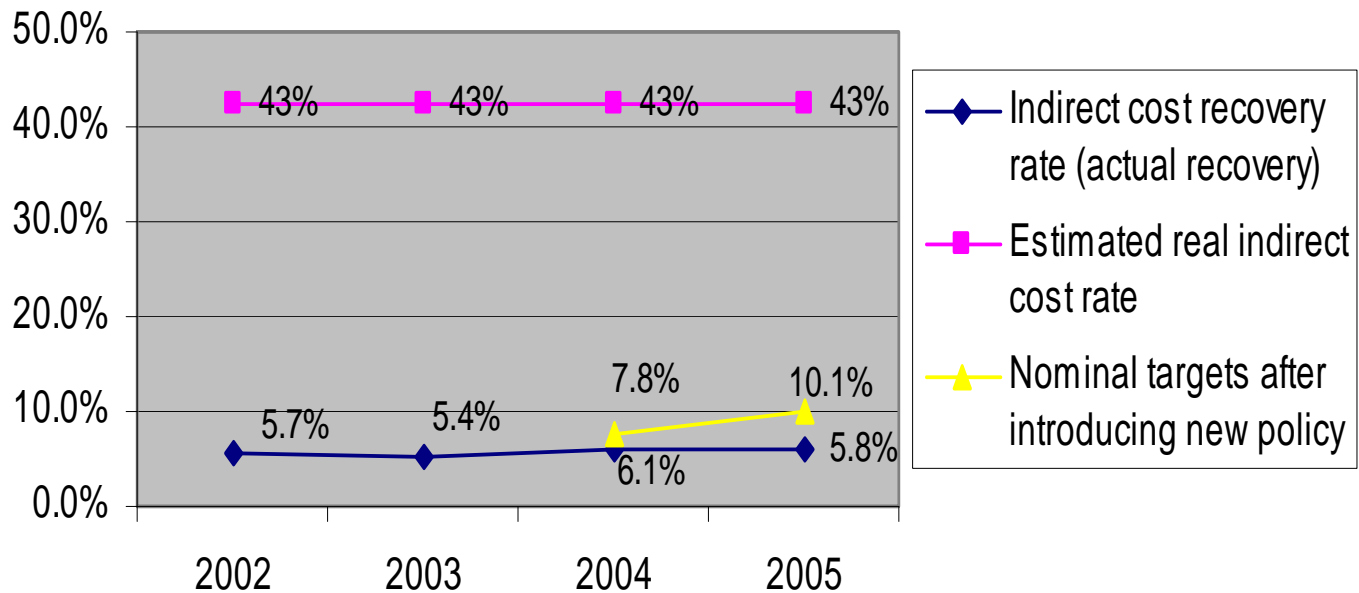


Staff costs

← Includes full cost to university of all staff employed directly on the project, whether or not they are funding through the project budget or are on the university establishment.

How successful has the new system been?

Indirect cost recovery rates (indirect costs expressed as a percentage of direct costs)



Problems in implementation

- Lack of resources at faculty level to assist with implementation
- Different approaches in different faculties leads to friction with sponsors and researchers
- Resistance from sponsors to paying of indirect costs, especially from local South African sponsors.

Problems in implementation (2)

- Allocation of recovered costs insufficiently transparent and does not sufficiently incentivise researchers/departments to charge full costs.
- Some find template confusing and difficult to use.
- Audit requirements of some sponsors difficult to comply with as our financial system does not clearly allocate indirect costs to specific line items.

Problems in implementation (3)

- Continued lack of buy-in from researchers for the following reasons:
 - Perception that successful researchers will subsidise others or are being punished for being successful
 - Continued belief that this is a “tax” by the university to finance other activities.
 - Many sponsors have a set upper limit for budgets, so any portion allocated to indirect costs reduces funds available directly to the researcher
 - Resistance to the idea of charging for time
Researchers “subsidise” other functions, such as teaching, through research income

Lessons learned

- Sufficient resources in terms of staffing and systems needed
- Effective communication with researchers of the rationale for, and operation of, a cost recovery system needs constant focus and renewal.
- Dialogue with sponsors on funding needs to be ongoing.
National and international collaboration in this regard could produce better results than individual negotiations between sponsor and institution.

Lessons learned (2)

- The system needs to be adapted in order to incentivise researchers, partly through the way recovered costs are allocated within the institution.
- User friendly but accurate and fair systems, procedures and templates needed.
- The financial system needs to be developed so that indirect costs are more clearly allocated and recorded for audit

Thank You!

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