

Recommendation of the Austrian Council for Research and Development Regarding the Award of Overhead Costs to Subsidised Research Projects

General

At its meeting on 9 June 2011 the Austrian Council for Research and Technology Development decided to set up a working group on general costs with participants from the ministries represented on the Austrian Council and the funding agencies. The task of this working group is to jointly ascertain the current state of affairs

Status quo

First of all, a distinction needs to be made between overheads and general costs which are often used synonymously in relation to subsidised research projects. It has been agreed that the Austrian Council recommendation being discussed here concerns general costs and that this term should be used consistently.

General costs undoubtedly constitute an important part of research financing, as they have a direct impact on research projects. It should be possible to obtain full-cost funding for research projects under the terms of a system of competition and formal entitlements to support. General costs constitute necessary structures and reflect the individual profile of research institutions. Having said that, general costs do not adequately compensate for fully-funded research institutions. In an ideal financial structure, for tertiary institutions and extra-university research institutions, they would generate over-financing and thus become obsolete.

In terms of funding applicants, a number of large groups can be identified, whose situation can be described as follows:

Under current funding guidelines tertiary institutions (in particular universities and Fachhochschulen) receive lump sums, which generally amount to 20 percent of the direct project costs (FWF) or personnel costs (FFG). A more detailed analysis and differentiation will follow later in the text.

Non-university research institutions are sometimes able to claim general costs under a full economic costing model and must subsequently document the actual costs incurred.

Funding applicants from trade and industry are treated similarly to non-university research institutions; while they frequently receive research funding they are also able to document their full economic costs.

All other funding applicants who are unable to document their full economic costs or who do not complete the analyses that this would require, are, like institutions of higher education, awarded lump sums (as a rule 20 percent of the direct project costs or personnel costs).

At the time of the current Austrian Council recommendation, the funding agencies, FWF, FFG and aws for example, all have different approaches.

The FWF believes that reimbursing general costs is one of the most important and structurally effective research policy measures in connection with FWF-financed projects.

Research institutions that have projects in the programme categories “individual projects” and “PEEK” approved from 2011 onward, will in future receive payments to cover their general costs. Under the arrangement that came into force in 2011, 20 percent of the direct project costs will be paid to the research institutions. The prerequisite is that the research institution carrying out the relevant project is a legal entity. No payment of general costs is planned for projects that were approved before 2011.

The FWF very much welcomes the lump-sum reimbursement of indirect project costs as of 2011, but points out that this is only a first step, as limiting payments to just some of the FWF programmes is problematic. The wish is now to have this extended to all programmes. The FFG only recognises a standard rate of 20 percent for applications made by institutions of higher education after 1 August 2010. FFG programmes currently allow non-university institutions and companies to either receive a standard 20 percent of general costs or, if they wish to claim a higher percentage, then evidence must be provided to substantiate the claim.

The prime consideration for funding applicants must be improved legal security.

In the aws sphere general costs play almost no role in the vast majority of funding instruments. A small number of instruments provide for general costs payments and in these cases the conditions and modalities are based on those of the FFG. Usually a standard rate of 20 percent is applied.

Increased general costs lead to a reduction in the total research output that can be achieved. Flatrate payments of 20 percent without proof having to be furnished are therefore to be considered an upper limit. In the eyes of the Ministry for Finance, higher rates are only permissible with verifiable documentary evidence.

With regard to the strategy of the Federal Government, it is noted that general costs are regarded as an instrument for providing targeted and

unbureaucratic support for research work and serve to sustain researchers at universities and institutions.

In parts of the Austrian research scene there are a number of unresolved questions regarding the award of general costs. The different treatment of admissible annual staff time as reflected in the hourly calculation of personnel costs depends on the institution's basic financing. The number of hours that enter the calculation generally take into account non-project-related hours and thus activities which should ultimately be seen as part of the overall financing. Those hours are necessary to enable the research institution to carry out the activities and should thus be regarded as allowable general costs.

Transferring equipment costs from general costs into equipment hours which have to be documented and explicitly calculated as separate machine hours does not constitute an improvement, but merely a reallocation into different cost categories. Yet this implies considerable effort in terms of documentation and in furnishing proof.

In a departure from the common practice of the full-costing model, some programme lines, such as Bridge or Research Studios Austria have a general lump-sum payment for all subsidised projects in their funding guidelines. Other cooperation programmes that are based on collaboration between business and the tertiary sector (e.g. CD Labs) do receive additional support via the funding of infrastructure, yet funding for general costs as such is not envisaged. The actual use of general cost expenditure at different research institutions is to be regulated in those institutions themselves. As the additional funding creates an incentive to researchers, a significant portion should be granted to the organisational units directly involved in the research project.

Recommendation

Based on the findings of the working group, the Austrian Council for Research and Technology Development makes the following recommendations:

- The issue of full-cost financing of research institutions is one of the central problems of the Austrian innovation system. General costs compensate for structural capacities that are necessary for the research institution to carry out the research project. A holistic view of the innovation system financing is indispensable and this must be reflected accordingly in the strategic documents and strategies, for example in the Universities Plan.
- General costs must be admissible and allowance must be made for non-productive activities at the research institutions. Due to the time and expense involved with keeping records, the Austrian Council recommends that an evaluated general cost rate be established on

the basis of full costs for a longer period (three to a maximum period of five years). In large research institutions, especially in the field of applied research, the calculation should be made at the level of the smallest meaningfully distinguishable organisational unit.

- In connection with the evaluated general cost rate, the Austrian Council believes that it is essential to guarantee to funding applicants that the expected general costs are legally secured at the beginning of research projects.
- In the opinion of the Austrian Council the medium-term goals should be that comparable research funding instruments are subject to the same rules in respect of general costs. The extension of general costs will in the long term result in greater overall budgets. The Austrian Council recommends that appropriate financing models be given consideration in budget plans and strategy papers.
- The Austrian Council considers the current legal framework to be adequate with regard to the basic award of general costs and merely recommends that the necessary adjustments be made.