

FC real indirect cost system of Dutch universities

- Wageningen University as an example

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Wageningen UR mission

*...To explore the potential of nature,
to improve the quality of life...*

Wageningen University and Research Centre

- Organisation:
 - **Wageningen University**
 - **Research Institutes**
 - **University of applied sciences**
- From basic up to applied research
- Europe our home market
- Turnover 600 million euros
- 6500 employees
- 8500 Ba / Ma students, 30% foreign
- 1100 PhD students, 60% foreign
- About 150 participations in FP7, of which 1/5 as co-ordinator



Healthy Food and Living Environment

Health
Lifestyle
Livelihood



World Hunger
Campaign
October 2006



Living
Environment

Food
& Food Production



WAGENINGEN UR

For quality of life

More examples available through...

- EUA and other interest groups
- national associations of universities
- consultancy firms
- NCPs etc.

- UNITE: Universities International Team of Experts
 - individual members
 - modalities' experts:
 - Grant Agreements
 - Consortium Agreements
 - IPR, exploitation of results
 - Governance, Financial Management etc.

Full Costs in the Netherlands - background

- Resources management
- Transparency, accountability
- Level-playing field, shared definitions
- Matching of various funds and donors (P P P)
- EU: internat. cooperation and consolidation,
FP7

Full Costs in the Netherlands – history

- 1993, first FC university
- 1997, end of cash-based system
- 2007, Single Information Single Audit
- 2008, transitions towards FC, real indirect costs

Full Costs in the Netherlands - environment

- Research universities' management
 - autonomy, business-like use of resources
 - analytical accounting system in place
 - increasing competition for funding
- National government
 - still major funder, but decreasing share
 - education and research output oriented
- Funding: increasing diversity of species

Towards FC - FP6 versus FP7 (personnel)

Cost model	Eligible personnel costs	Indirect Costs %	Total Costs	EC Contr. %	EC Contr. €
FC FP6	100+10	80	198	50	99
AC FP6	100	20	120	100	120
FC FP7	100+10	80	198	75	148,5
FC FP7	100+10	60	176	75	132
FC FP7	100+10	40	154	75	115,5



Towards FC, joint approach in the Netherlands

- Association of Dutch universities
- Exchange of information and experiences
- Identification of robust common denominators
- Transition to FC real indirect costs before 2010

Joint approach - exchange of practices

- Local calculation systems
- Calculation of direct costs
- Calculation of indirect costs
- Time recording systems

Joint approach – local calculation systems

- Separation of (indirect) research-related costs
- Organisation of units with homogeneous costs
- Number of cost drivers, working hours
- Actual or average personnel costs
- Time recording systems
- Etc.

Joint approach - calculation of direct costs

- Actual versus average costs
- Number of eligible working hours
 - regular number of working hours
 - extra work

Joint approach - calculation of indirect costs

- Elimination of costs of education
- Cost driver
 - scientific personnel only
 - scientists and technical assistants
- As a percentage or as a fixed amount

Wageningen UR implementation, as an example

- Research and management go hand in hand
- High percentage external research funding
- Research chain from basic up to applied
- Many public-private-partnerships
- About 150 FP7 running projects

Wageningen UR - justifying EU contribution

- Audits by external auditors
 - own external auditor
 - external auditor on behalf of European Commission
- Audits by European Commission
- Preparing for external audits
 - own policy, rules and regulations, administration
 - training of researchers and financial officers
 - reception of auditors

Wageningen UR – financial management

- Understanding and commitment of senior management
- Standard administration and accounting system
- Uniform implementation of systems by units
- Alignment of administration and accounting
- Ex ante and ex post calculation
- Central role of Annual Accounts, as approved by the auditor

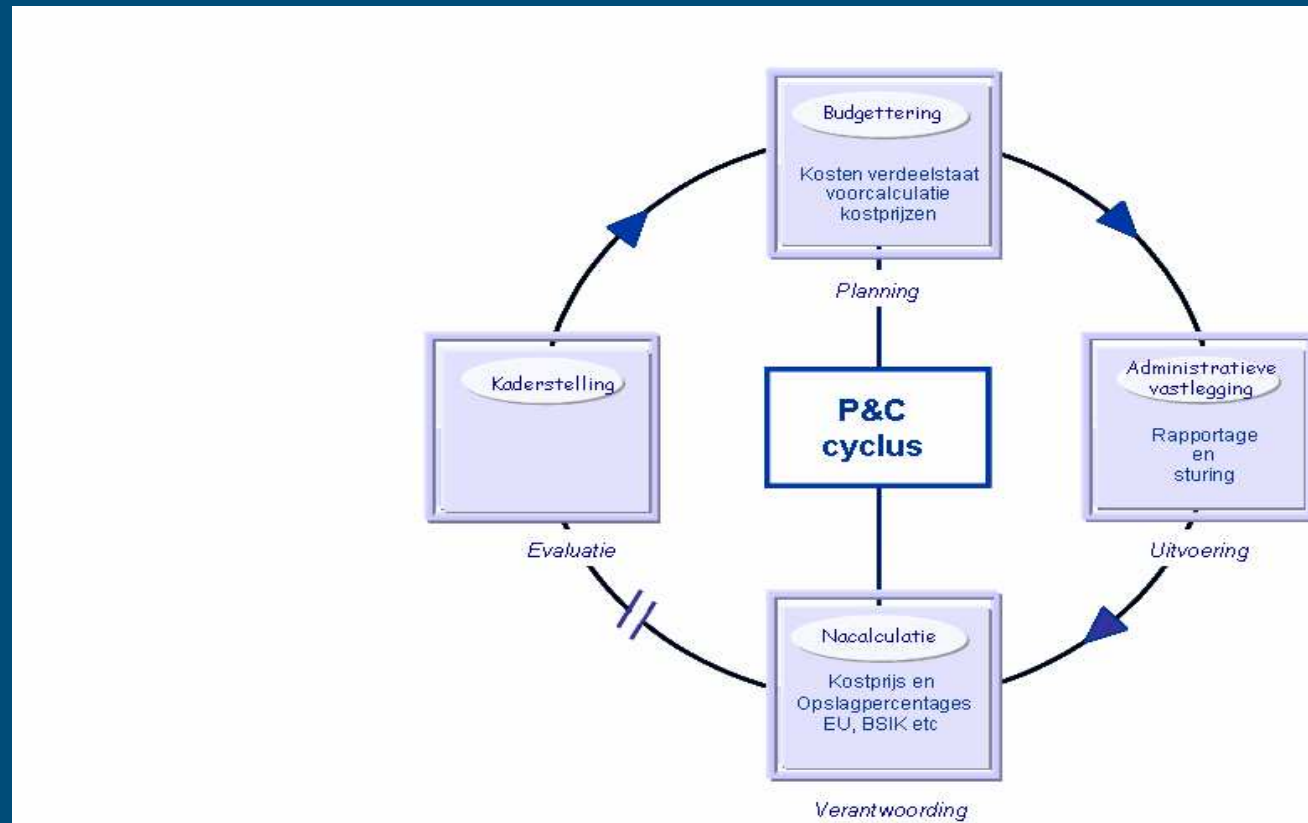
Wageningen UR – robust common denominators

- Keeping systems as simple as possible
- Education eliminated from calculating indirect costs
- A realistic common number of eligible working hours
- Complete and flexible time writing systems in operation
- Application to FP7 projects as to other external activities

Wageningen UR – planning and control

- Planning: drafting of budgets, policies, costs etc.
- Implementation: policies, activities, costs etc.
- Justification: policies, activities, costs etc.
- Evaluation: framework/input for new budgets, policies etc.
- Planning and Control cycle starts over again

Wageningen UR – planning and control cycle



Wageningen UR – planning and control

schedule

- January-December: financial year
- September–October: budgets, ex ante calculation of costs
- February–March: annual accounts at various levels
- March–April: ex post calculation of costs
- April–May: auditing by own external auditor
- May–September: evaluations input for new cycle

Wageningen UR – organisation

- Wageningen UR:
 - organisation: corporate, Science Groups, units
 - legally: Wageningen University, research institutes, others
- Financial organisation:
 - Resource managers (hierarchy): indirect costs
 - Project managers (execution of project): direct costs
- Procedures for calculation and allocation of costs

Wageningen UR – denominate main activities

1) Denominate primary university activities

- teaching
- research

2) Identify primary and secondary cost drivers

- primary: time spent by academic staff
- secondary: support staff, housing, etc.

3) Develop cost allocation scheme

- separate all direct costs
- allocate remaining overhead costs
- calculate hourly rates
- allocate full costs by time recording

Wageningen UR – cost drivers

- Primary cost driver: academic staff (hours per fte)
- Secondary cost drivers:
 - time of support staff (hrs/fte)
 - use of space and housing facilities (sqm)
 - administrative support (€, time etc.)
 - use of library (time)
 - dedicated research facilities (time, €, etc.)
 - Etc.

Wageningen UR – researcher as cost driver

- Primary cost driver: researcher
 - actual personnel costs (not average >> NO certificate CoMAv)
 - personnel costs ex ante and ex post calculations
 - employment hours
 - common working hours
 - recorded time
- Indirect costs:
 - percentage to direct labour costs!
 - other universities opt for fixed amount
 - ex ante and ex post calculations

Wageningen UR - communication

- All internal stakeholders
- Target group information
- Training and further elucidation
- Qualified contact persons per unit

Wageningen UR - time recording

- Clear responsibilities
- Tailor made recording systems
- Addressing psychological resistance
- Clear agreements on who and how involved

Wageningen UR - implementation

- Show clear advantages at all levels
- FC implemented from 1-1-2008 onwards
- Clear decisions at level senior management
- Preparation by working group of all stakeholders
- Frequent communication on progress of implementation
- Selection and training of FC/time recording support staff

Special clause 30

- DEPARTMENTS/INSTITUTES etc. WITHIN A LEGAL ENTITY THAT CAN IDENTIFY THEIR REAL INDIRECT COSTS WHERE THE (WHOLE) LEGAL ENTITY CANNOT

Wageningen UR - tooling up for certification

- Firstly, get the FC model accepted internally
- Get analytical accounting system operational
- Introduce tailor made time recording systems
- FC certification external end of internal process

Wageningen UR - some experiences

- Towards FC is of general interest, not because of FP7
- Exchange best practices between universities
- Prepare the transition to FC very carefully
- Involve all stakeholders, not technicians only
- Strive for simple and flexible solutions

For further information, please contact

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Thank you for your attention

