

# 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

Food  
& Food Production

Living  
Environment



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

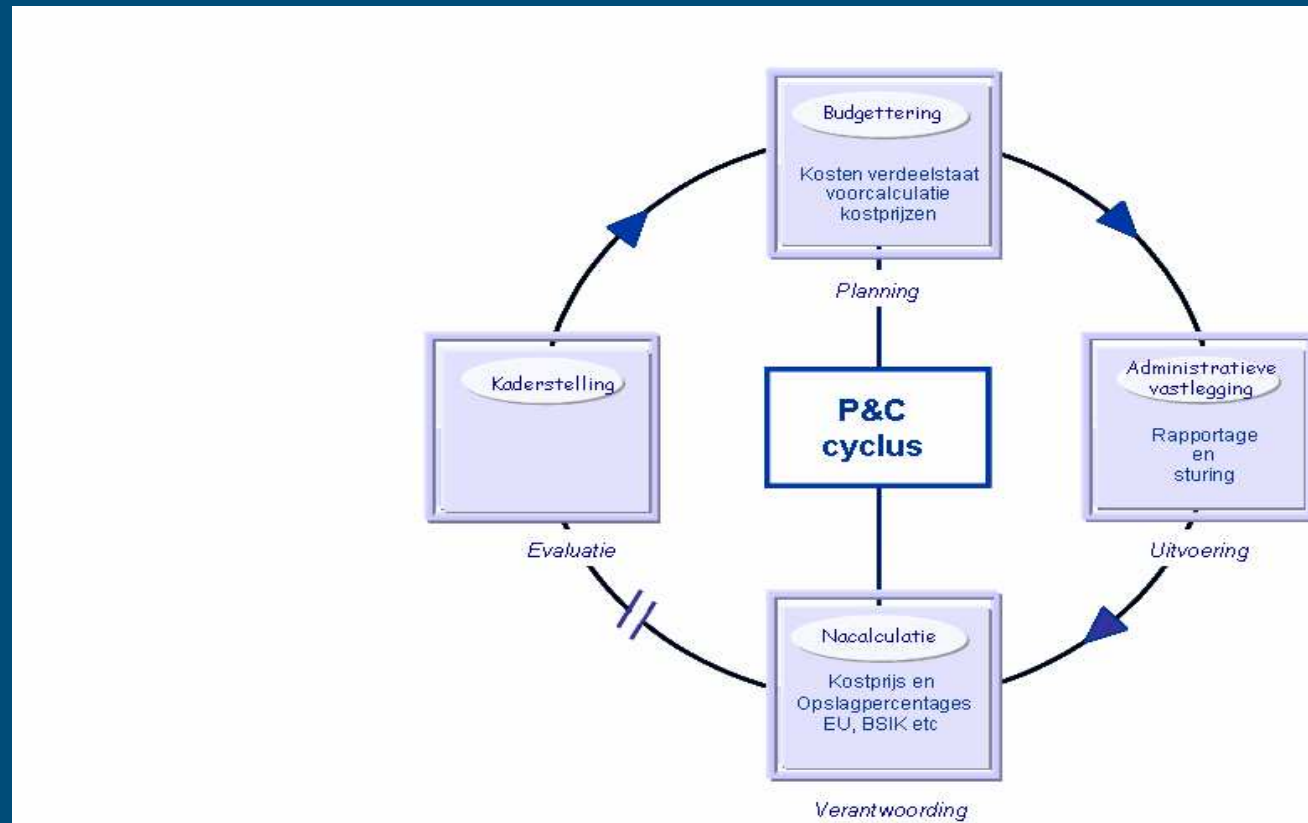
# Wageningen UR – robust common denominators

- 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



**WAGENINGEN UR**

*For quality of life*