

Executive Summary

What future for dual support?

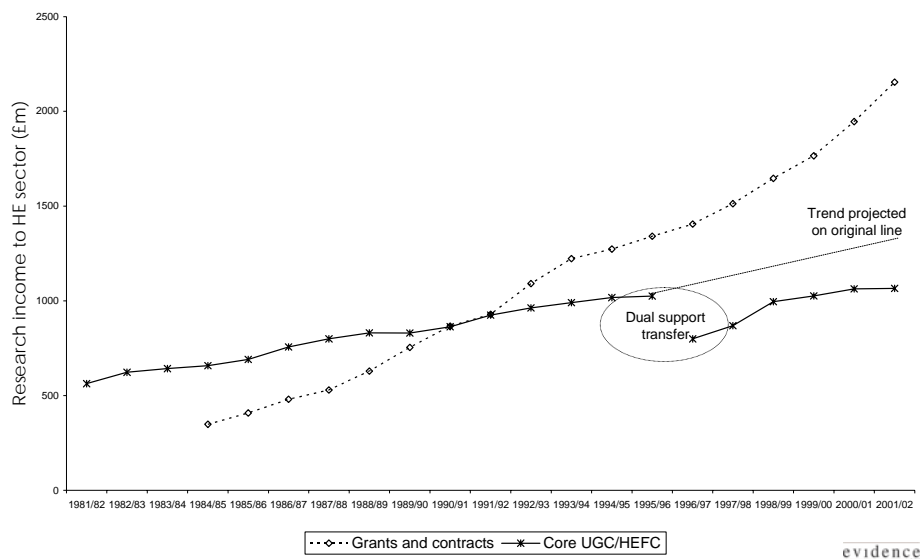
Jonathan Adams and Bahram Bekhradnia

February 2004

Higher Education Policy Institute

1. The United Kingdom's successful academic research base is underpinned by a system of funding that provides funds to institutions in two streams, one as part of their core grants, and provided by the Funding Councils, and the other generally in the form of project grants, provided by Research Councils. This is known as the dual support system. A key feature of the dual support system -- and widely regarded as one of its strengths -- is that the Funding Council grant is for the university to spend entirely at its discretion. This means that there are multiple sources of funding for research, with multiple points of decision about what research should be supported and where research resources should be concentrated.
2. There is some ambiguity about the exact scope and purposes of the Funding Council part of the dual support system, which have evolved over time. Originally it was conceived of in large part to enable blue skies research to be conducted; it is now seen largely as providing the basic research infrastructure which underpins a university's ability to carry out research funded by others. Nevertheless, particularly in the humanities and social sciences, it continues to provide the means by which some basic research can be conducted.
3. There has also been ambiguity about whether the Funding Council part of the dual support system is intended to support projects carried out with grant from charities. Charities are in general unwilling to pay anything other than the direct costs of the research that they support. On the other hand the Funding Council stream of research funding does not take explicit account of funding from charities neither in terms of its total amount, nor in terms of its distribution.

4. Concerns with the working of the dual support system are not new, and have been expressed for at least 25 years. The main problem now is that while both the Research Council and the Funding Council legs have increased in value, the latter has done so very much more slowly. This pattern is repeated with charity funding, which has also increased at a faster rate than core funding. The table below shows the developing imbalance in the two sources of funding¹.



5. Providers of project grants -- Research Councils, charities and industry -- have behaved like classic purchasers, and have sought to maximise the number of grants that they could obtain with their money; and universities, and academics within them, have sought an increasing number of grants, because this was the only way that they could get more resources. The result has been that more and more project grants are being loaded onto an inadequate research base, and the consequence is in part a decline in the ability of academics to conduct blue skies research, and in part a running down of the research infrastructure.

¹ In 1992 the Secretary of State for Education and Science agreed that about £150 million per year (out of a total annual grant of about £900 million) should be transferred from the Funding Councils to the Research Councils to enable the latter to cover a larger proportion of the cost of the research projects that they supported.

6. Although allocated on quite separate criteria, and on the basis of independent judgments, the two sides of the dual support system allocate funds in a remarkably consistent way. There is a very close alignment between the money received by universities from Funding Councils and what they receive in grant and contract income from Research Councils, charities and other sources. Those universities that receive more of one receive more of the other, and those receiving less of one receive less of the other. This is a reassuring confirmation that the two legs of the dual support system are working in harmony and that, for example, project grants are being given to those institutions in the best position to support them.
7. On the other hand, this has led some to conclude that there is unwarranted duplication in the methods for allocating research funds, and that means should be sought to cut the cost of the research allocation processes, by cutting out one or other of the legs of the dual support system. It is estimated that the cost of administering the Funding Council grant, which relies on the periodic research assessment exercise (RAE) for its allocation, will cost something like £90 million (mainly the cost of the 2001 RAE) over the seven-year period between 2001 and the next RAE in 2008, to allocate about £8 billion -- a compliance cost of about 1.1 per cent. On the other hand, it is estimated that the Research Council project allocation mechanism will cost around £200 million over the same seven years, to allocate about £4.2 billion -- a compliance cost of about 4.8 per cent.
8. In order to address these concerns about cost and duplication, it is been suggested by some that research funding should no longer be a Funding Council function, but that the money currently provided by the Funding Councils for research should be allocated instead by the Research Councils. This could be done either as enhanced project grants, or simply as a separate stream of funding to universities in proportion to the Research Council grants that they win, but at an institutional level, thus retaining a sort of separate stream of funding.

9. A problem with both these approaches is that whereas the present arrangements allow a diversity of judgments and decision points, these proposals would reduce them and reinforce bad decisions while reducing the opportunity for alternative judgments. Moreover, a large proportion of humanities and social sciences research is conducted with funding provided by the Funding Council block grant, and these alternative approaches would need to find a way of addressing that fact. And finally, although in general it is the case that there is good consistency between the funding provided by Funding Councils and Research Councils -- at institutional level it is very close indeed -- there are some subjects where the amounts provided by the two legs differ markedly.
10. An alternative to providing all funding for research through the Research Councils would be substantially to reduce the Research Council remit, and to transfer the money to the Funding Councils to allocate as part of their block grant. Given how very much more onerous and costly the Research Council processes are than the Funding Council processes, this might be a logical response to concerns about duplication and cost. However, if this approach were pursued the Research Councils would still need funds in order to kick start new research areas and for big science and national infrastructure centres; and the Funding Councils would need to establish mechanisms for identifying and funding national priority areas.
11. The fundamental problem with the dual support system is neither to do with duplication nor with cost. Rather, it is that the purposes and rationale of the two legs are not clear, nor is it clear who is responsible for what aspects of research expenditure. There is a further problem with the scope of the system, and in particular whether charities are part of the dual support system or not, and if so, how funding from charities can be recognised by the Funding Council leg of the system. These problems have been recognized by the Government and by HEFCE who are in discussion with those concerned. It is enormously important that they are resolved

12. The greatest problem, though, is that over time there has developed an increasing imbalance between the money provided as core research funding by the Funding Councils and the amount provided as project grants, with the consequence that universities are unable properly to support the amount of research that they are carrying out. The key issue is not one of changing the way funds are allocated, but substantially restoring the core funding stream and building back the characteristics that have enabled the UK research base to be so effective and so efficient for so long.