

# Real indirect cost system of Dutch universities

- the example of Wageningen University

**"Full costing: best practices in Europe"**, 10 November 2009, Prague  
Wageningen University and Research centre, Willem Wolters



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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**
  - **Higher Professional Education**
- World top 5 in our domains
- From basic up to applied research
- Europe our home market
- Turnover 600 million euros
- 6500 employees
- 10000 Ba / Ma students, 30% foreign
- 1100 PhD students, 60% foreign
- About 200 participations in FP7, of which 1/3 as coordinator



# Healthy Food and Living Environment

Health  
Lifestyle  
Livelihood



World Hunger Campaign  
October 2006



Living  
Environment

Food  
& Food Production



WAGENINGEN UR

For quality of life

# Full Costs in the Netherlands

- Resources management
- Transparency, accountability
- Level-playing field, shared definitions
- Matching of various funds and donors (P-P-P)
- EU Seventh RTD Framework Programs

# FC in the Netherlands – Background

- 1993, first FC university
- 1997, end of cash-based system
- About 2000, from input to output funding
- 2007, Single Information Single Audit
- 2008, transition towards FC, real indirect costs

# FC 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
- Increasing availability of funds, donors and conditions



# 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
- Sharing of information and experiences
- Identification of common denominators
- Transfer towards FC as soon as possible

# Joint approach - Sharing 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., 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, 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 200 participations in running FP7 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
- Aligning of administration and accounting
- Ex ante and ex post calculation
- Central role of Annual Report

# Wageningen UR - 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 – 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 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

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# Justification of FP funding, some observations

- Major management burden for the EC
- Many payment errors in FP6
- Errors in FP6 certificates by auditors
- FP7: simplification, more audits and sanctions

# Justification of FP funding, FP7 certificates

- Certificate on the Financial Statement (CFS)
- Certificate on the Methodology (CoM)
- Certificate on the Methodology for Average personnel costs (CoMAv)

# Justification of FP funding, FP7 auditors

- Acknowledged external auditors
- Competent Public Officers
- EC financial auditors

# Thank you for your attention

