



# Policy statement

## Funding of medical research

### Introduction

The BHF is the largest funder of non-commercial cardiovascular research in the UK. Between April 2008 and March 2009 we invested over £145 in heart research every minute – a total annual investment of over £78 million. We fund more than half of all university-based heart research in the UK, with BHF-funded researchers and projects at centres in over 30 cities across the UK.

Some of the most ground-breaking, innovative and important achievements in heart health research over the past 45 years have been made thanks to work supported by the BHF. It is vital that we have a supportive operating environment for charity funded medical research to continue to thrive.

### Policy statement

Research funded by the BHF and other medical research charities makes a substantial contribution to the fight against major diseases, to interventions that can improve the lives of people living with ill-health and to the UK economy.

As a charity reliant on donations from the public, we strive to maximise the investment that we make in life-saving science. We fund the directly incurred costs of research projects and career opportunities to attract the most talented individuals to pursue a career in cardiovascular research.

The Charity Research Support Fund in England, and equivalent support across the UK, has helped to make higher education funding more sustainable. However, further reform is needed to place charity funded research on a level playing field with research funded from other sources:

- charity research support should be set at the same level as research council support
- the Westminster Government should embark on a comprehensive review of the level of funding required beyond the current commitments to April 2011
- The UK Governments should also work in partnership with higher education institutions and charities to ensure that universities, researchers and other research funders are fully aware of charity research support funding.

## Background

In 2004, the UK Government launched its ten-year Science and Innovation Investment Framework, setting out a long-term vision for UK science and innovation.<sup>1</sup> The framework included a commitment to closing the gap between the full cost of charity-sponsored research and the funds currently available from universities and charities.

Charities provide a significant contribution to the research base in the UK. The Association of Medical Research Charities (AMRC) estimates that 70 per cent of all funding from its members goes to higher education institutions, and medical charities as a whole fund approximately 14 per cent of all university research.<sup>2</sup> On the last available figures from HESA (Higher Education Statistics Agency), for 2003-4, Research Councils contributed £692m in research income to universities, while charities contributed £576m.

The real benefit of medical research is in the impact that it has on health gains to the population. A 2008 report estimates that every £1 invested in cardiovascular medical research produces benefits that are worth 39p every year thereafter in perpetuity.<sup>3</sup> In other words, the cost of research is recouped through social gain within three years of making the investment, and it continues to pay such dividends every three years thereafter.

Similarly, public investment in medical research has a substantial impact in triggering future investment by industry. A 2009 report estimates that a £1 increase in extra public medical research can lead to an increase in private pharmaceutical industry R&D spending in the range of £2.20 and £5.10.<sup>4</sup>

### ***The dual support system***

The UK's research base is predicated on the 'dual support system'. This is a system of funding that provides funds to institutions in two streams, one as part of their core grants, provided by the funding councils, and the other generally in the form of specific research grants, provided by research councils.<sup>5</sup>

The core grant is allocated annually according to the outcomes of the Research Assessment Exercise (RAE), and is known as the QR (quality-related research) funding. For 2009-10 this amounted to £1572m.

### ***The Research Assessment Exercise***

The RAE is a peer review exercise to evaluate the quality of research in UK higher education institutions. This assessment informs the selective distribution of QR funds by the UK higher education funding bodies.<sup>6</sup> The main purpose of the RAE is to produce quality profiles for each submission of research activity. The RAE is

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<sup>1</sup> HM Treasury (2004), Science & innovation investment framework 2004-2014.

<sup>2</sup> Association of Medical Research Charities (2008) A very public benefit: 21 years of charity support for medical and health research and innovation.

<sup>3</sup> Health Economics Research Group, Office of Health Economics, RAND Europe (2008), Medical Research: What's it worth? Estimating the economic benefits from medical research in the UK.

<sup>4</sup> Office of Health Economics, Alzheimer's Research Trust (2009) Forward Together: Complementarity of public and charitable research with respect to private research spending

<sup>5</sup> Research Councils UK website: 'Dual support system', October 2009.

<sup>6</sup> Higher Education Funding Council for England website: 'Research Assessment Exercise', October 2009.

conducted jointly by the funding councils in England, Scotland and Wales and the Department for Employment and Learning in Northern Ireland. The most recent results were published in December 2008.<sup>7</sup>

### ***The Research Excellence Framework***

HEFCE has been developing the new Research Excellence Framework (REF) which will be a successor to the RAE and will continue to reward excellence in all types of research. The aims of the new framework include provision of robust UK-wide indicators of research excellence, provision of a basis for funding by reference to research excellence and to reduce the administrative burdens compared to the RAE.<sup>8</sup>

There will be consultations during the second half of 2009 and in 2010 on the components of the REF. The first assessment using the REF will be carried out in 2013 and all HEFCE-funded research will be driven by the REF from 2014. The Office of Life Sciences has confirmed that the REF will explicitly assess the social and economic impact of research.<sup>9</sup>

### ***Full economic costing***

Full economic costing (fEC) is the process of calculating the total amount of resources required to undertake and deliver a research project.

Under the fEC model, universities are required to classify costs as:

- Directly incurred costs – actual costs that are explicitly identifiable as arising from the project e.g. salaries, equipment
- Directly allocated costs – costs of resources used by a project that are shared by other activities and based on estimates e.g. principal investigator costs, estates costs
- Indirect costs – non-specific costs charged across all projects that are based on estimates e.g. HR and finance costs.<sup>10</sup>

In 2005, the UK Government agreed that the research councils should pay 80% of the full economic costs of projects that they funded from April 2006, with the expectation that the remaining 20% would be found from the universities' core QR funding or other resources. At the same time, the Charity Research Support Fund (CRSF) was created in England to provide infrastructure funding for charity-funded research, where usually only directly incurred costs are paid by the charity. CRSF payment to universities is provided as a component of the QR funding, and is allocated in proportion to their charity research income.

There was a commitment to review how the system was working after three years. Research Councils UK and Universities UK published this review in April 2009 and it found that almost all measures of sustainability amongst higher education institutions have improved during the last ten years and fEC is a major contributor to this.<sup>11</sup>

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<sup>7</sup> Research Assessment Exercise website: 'RAE2008 confirms UK's dominant position in international research', 18 December 2008.

<sup>8</sup> Higher Education Funding Council for England website: 'Research Excellence Framework', October 2009.

<sup>9</sup> Office for Life Sciences (2009) Life Science Blueprint, HM Government

<sup>10</sup> Wellcome Trust website: 'Position on full economic costs in UK universities', October 2009.

<sup>11</sup> RCUK/UUK (2009) Review of the Impact of Full Economic Costing on the UK Higher Education Sector

However, the report acknowledges that some higher education institutions ask researchers to focus on research councils as the first port of call for funding.

### ***Charity research support***

In **England**, the CRSF has been applied to charity funded research since the academic year 2006/07. This was set at £135m for 2006/07, increased to £180m for 2007/08 and was £194m in 2009/10. There is a commitment to continue funding the CRSF until 2011, with £198m for 2010/2011. The phased increases of the funding were intended to reach £270m by 2011. With the rises in 2009/10 and 2010/11 virtually inflationary, there is a concern among medical research charities that this is insufficient.

The AMRC has provided a list of member charities that meet the eligibility criteria for the CRSF to HEFCE. To be eligible, research should demonstrably contribute to the enhancement of the research base, research should be demonstrably of the highest quality and the funder should have a published research strategy. In a 2007 submission, the AMRC estimated that member charities, excluding the Wellcome Trust, are paying 46% of fEC, and the Wellcome Trust is paying 55% of fEC. On this basis, the CRSF needs to be funded at £239m to meet 80% of fEC, in line with Research Council funding, and at £402m to meet 100% of fEC.<sup>12</sup>

The 2009 fEC review found that currently around 60% of fEC is being paid directly by UK-based charities, although it acknowledges that different charities have different approaches to these costs and so this may mean there is a lower average figure.<sup>13</sup> The CRSF contributes an additional 18% of fEC, meaning that 78% of fEC is being recovered on charity funded research. This compares with 80% of full economic costs paid by research councils. The review underlined the importance of the CRSF, and recommended that government should work with funding councils and charities to ensure that charitable research funding in universities continues to be sustainable, and that university staff are aware of the importance and viability of charity funding.

In **Scotland**, a portion of the Scottish Funding Council's Research Excellence Grant (REG) is allocated based on the charity income of each university department, and provides uplift on charity funded research grants to universities. In March 2009, in response to a PQ, the Scottish Government committed to "continue to support charity funded research through a new funding model, the Research Excellence Grant, from 2009-10".<sup>14</sup>

As in England, the allocation is made primarily on financial drivers – the aim is to fill 75 per cent of the estimated 20 per cent full economic cost 'gap' in charity income (i.e. 15 per cent). In 2009-10 the Scottish Funding Council used a two-year average of data of charitable income relating to annual year 2005-06 and annual year 2006-07. This amounts to £92.9 million and the 75 per cent of the estimated 20 per cent 'gap' is therefore £17.4 million. In the Scottish funding model, the main volume indicator of research-active staff takes into account charity funded staff so this will also contribute to meeting the charity funded gap.

The 2009-10 fund totaled £17.4m, up from £14.7m in 2008-09. The Scottish Funding Council currently estimate that their total contribution is around 18% of fEC, which is comparable to the RCUK/ UUK estimate for England.

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<sup>12</sup> Association of Medical Research Charities: 2007 Comprehensive Spending Review Submission on the Charity Research Support Fund

<sup>13</sup> Ibid

<sup>14</sup> Scottish Parliamentary Questions, 17 March 2009

In **Wales**, the Higher Education Funding Council includes a charity stream of funding within its quality-related research grant and committed an additional £3m to charity funded research in 2007/08. This funding is allocated within QR in proportion to research income from UK charities in those Units of Assessment which qualify for QR. The sum will be uprated annually in line with the rest of the QR grant. In addition, UK charity income is used as a minor volume measure within the QR funding formula. In 2008/09, a further £5m of the total QR funding is driven by that minor volume measure.

In **Northern Ireland**, the Department for Employment and Learning created a new Support Element for Charities Research Income in 2006/07. The maximum funding available to higher education institutions was £3.33m in 2006/07 and £4m in 2007/08.<sup>15</sup>

### ***Views from charity researchers***

Concerns over the future of charity research support from a number of medical research charities have prompted a strand of work on sustainability from the AMRC. This includes surveying members to gather their views, inputting to relevant consultations and policymaking forums on behalf of the sector and seeking to identify the level that the CRSF needs to be funded at in the future.

AMRC is concerned that (i) the government may not honour its commitment to increase the CRSF allocation each year till 2010-11; (ii) there needs to be a commitment to CRSF funding beyond 2011; and (iii) there should be a full review of the level of CRSF funding required to provide an uplift in charitable funding to reach 80% fEC (current figures suggest that the level of CRSF funding will need to be around £360m per year in 2010/2011 to achieve this).

Breast Cancer Campaign published views gathered from their researchers on full economic costing and the CRSF in 2009.<sup>16</sup> The survey that they conducted found that 73% of respondents were unaware of the CRSF prior to taking part in the survey, that 5% of respondents thought the CRSF was adequate and that 29% of respondents had been discouraged from applying for charity research funding.

### ***BHF funding***

The BHF funds over 50% of the non-commercial cardiovascular research conducted in the UK.<sup>17</sup> We do not commission research from universities but support peer-reviewed competitive funding applications for research that universities wish to pursue. As a charity that raises funds from the public to support research being carried out by UK universities we expect the general running costs to be provided.

We pay the full directly incurred costs for individual grant awards (salaries, consumables and equipment), but we do not normally pay directly allocated costs (i.e. fractional salaries of already funded staff) or any explicitly identified indirect costs. We also provide significant large scale infrastructure awards to universities and have spent over £50m in this way since 2001.

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<sup>15</sup> Ibid

<sup>16</sup> Breast Cancer Campaign (2009) Full economic costing: the effects on charity-funded research

<sup>17</sup> UK Clinical Research Collaboration (2006). UK Health Research Analysis.