

# **Review of Special Funding for the School of Advanced Study, University of London**

**B83/07  
Agenda item 7  
22 November 2007**

## **Issue**

1. The Review of special funding for the School of Advanced Study at the University of London conducted by Professor Sir Ivor Crewe.

## **Recommendation(s)**

2. The Board is invited to consider Sir Ivor's report, and accept the recommendations made therein subject to the conditions set out in the report.

## **Timing for decisions**

3. An early decision from the Board will enable additional time for the University and the School to make the reforms recommended in the report. However, the decision on funding needs to be made in the context of the Comprehensive Spending Review settlement.

## **Further information**

4. Rama Thirunamachandran (0207 420 2201 or [r.thirunamachandran@hefce.ac.uk](mailto:r.thirunamachandran@hefce.ac.uk)) or Matt Edwards (0117 931 7434 or [m.edwards@hefce.ac.uk](mailto:m.edwards@hefce.ac.uk))

## Background

5. Since 1993, the constituent colleges of the University of London (UL) have each been directly funded by HEFCE. At the same time HEFCE agreed to fund the central University for those activities for which it had responsibility but which were not funded by the colleges through UL's internal charging mechanisms. The size of this Special Funding (SF) was based on an earlier study carried out by the then University Funding Council's University of London Federal Policy Group. Since inception it has been uplifted each year by the GDP deflator. It was additionally increased by £552k in 2002-03 when, as a result of the review by Sir Martin Harris of funding arrangements in 2000, quality-related research income for the School's Institutes (as informed by the 2001 RAE) was transferred from normal block grant into special funding. By far the largest allocation of the SF was intended for the School of Advanced Study (SAS) (£5.666 million; a full list of the Institutes may be found at Table 1 of Sir Ivor's report at **Annex A**), and another significant allocation was intended for Senate House Library (SHL), formerly called the University of London Library (£3.553M for the Institutes' libraries and £942,000 for SHL). The remainder of the SF was intended for other central UL responsibilities, including the University Marine Biological Station at Millport.

6. The 2000 and 2005 Harris Reports confirmed that SF was the appropriate form of HEFCE funding for SAS. Formula-based teaching and research funding would have been unsuitable because the School teaches only a limited number of students (and then all at post graduate level) and because a significant part of its research-related activities consists of research promotion and facilitation on behalf of the regional and national subject communities, which the RAE is not designed to assess.

7. The Board agreed with Sir Martin Harris's recommendation, from 2005, that a fundamental review of this funding should occur before the 2008 RAE. Accordingly we invited Sir Ivor to conduct an in-depth review. The terms of reference for the Review were:

- a. To provide advice to HEFCE on long term options for the funding of the School of Advanced Study
- b. To review and assess the work and activities of the SAS in terms of the contribution made to the relevant subject communities in London, nationally and internationally
- c. To review income, costs and value for money of the SAS.

8. Given these factors, an in-depth review, including full economic cost analysis, was set up in late 2006, with a view to reporting by late 2007. There has been extensive consultation with stakeholders.

9. Sir Ivor has conducted a parallel review of Research Libraries special funding in England, reported under item B84/07. There is some overlap in the issues that the two reviews have dealt with, however in substantive terms they remain separate.

## Discussion

10. National research facilities in the scientific disciplines are funded by the Research Council side of the dual support. However, in the absence of an Arts and Humanities Research Council (AHRC) until recently, HEFCE and its predecessor bodies have taken on the role of funding national facilities on the arts and humanities disciplines. During the review Sir Ivor considered whether both the funding and responsibilities for SAS should transfer to AHRC. However, the AHRC, for a number of reasons was unwilling to take on this responsibility. This left the review to focus on whether HEFCE should continue to fund SAS and, if so, on the basis for doing so.

11. The Review concluded that SAS provides a significant research promotion and facilitation facility nationally and should continue to receive special funding subject to five yearly reviews.

12. The report makes four main recommendations, with additional comments and conditions to assist their implementation. The four main recommendations are:

- a. That the SAS provides a significant national research facilitation facility and therefore HEFCE should provide the School, including its libraries, with a stable long term funding environment by means of Special Funding
- b. The SF baseline for the SAS be raised by 10 per cent in 2008-9<sup>1</sup>(and annually by the government deflator thereafter)
- c. The Dean of the School should have the roles of chief executive and budget holder for HEFCE's Special Funding and report through the Vice Chancellor of UL to the UL Board of Trustees
- d. The Strategic Development Fund should give careful and speedy consideration to bids for start-up funding from the Institute of Musical Research and the Institute of Philosophy, subject to a realistic appraisal of their sustainability over the medium-term.

13. The report (without the appendices) is attached at **Annex A**. The following paragraphs consider the substance of his main recommendations in turn, as reproduced in the shaded panels.

### Recommendation

HEFCE should provide the School, including its libraries, with a stable long term funding environment by means of Special Funding, which should be:

- a. given for the period August 2008-July 2013
- b. awarded explicitly for the purposes of national research promotion and facilitation in the humanities and social sciences, these purposes to be defined by HEFCE in agreement with the School
- c. renewable for further five-year periods subject to the outcome of a review undertaken in the fourth year of funding. The review should include national and

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<sup>1</sup> Calculated as £5.666m (the special funding in 2005-6) uplifted by the government deflator for 2006/7, 2007/8 and 2008-9, plus 10%.

international peer opinion, appropriate performance indicators and an analysis of the full economic costs of the School's research facilitation activities.

14. An important part of review was to establish whether the SAS continues to provide a national facilitation role beyond that which would normally be provided by individual HEIs. The Report both clarifies the nature of the research facilitation function and distinguishes them from SAS's other functions and confirms that the research facilitation element is substantial and significant and therefore merits ongoing special funding from HEFCE. This enables us in future to have greater clarity over the proper use of funding, and to have a clear goal in agreeing performance indicators with the School. The continuing five-yearly review process is appropriate, and this review has established a helpful protocol in how to operate this.

15. The current analysis of the full economic costs of operating the School has been an extremely important exercise, conducted by JM Consulting. The University has found this particularly useful in understanding cost control and budgetary arrangements for the School. The current arrangements, which have evolved over time, are acknowledged by all parties to the review as being less than fit for purpose and not based on a meaningful set of principles.

#### Recommendation

The SF baseline for the SAS be raised by 10 per cent in 2008-9<sup>2</sup>(and annually by the government deflator thereafter) subject to the following conditions:

- a. The SAS should produce for agreement with HEFCE a definition of national research promotion and facilitation, a specification of eligible activities and an appropriate set of performance indicators.
- b. The SAS should produce for agreement with HEFCE a set of performance targets for monitoring at the 2011-12 funding review.
- c. HEFCE should explore the options for introducing a performance-based dynamic element to SF for the following five year funding period of 2013-14 to 2017-18.
- d. The SAS should revise its TRAC time allocation method as soon as the new definition of national research promotion and facilitation is agreed, so that some pilot information will be gained during financial year 2007-8, and so that the SAS can directly account for the cost of its research promotion and facilitation activities for the full financial year 2008-9.
- e. The University of London should clarify the basis on which central support activities are charged to the SAS, benchmarked against appropriate comparators, and produce a forecast of these charges for the periods 2008-9 to 2012-13.
- f. The University of London charges to the SAS should be accompanied by a service level agreement.
- g. The SAS should produce a five-year financial strategy and forecast showing how HEFCE-funded research facilitation activities, including library services, can become sustainable within a defined period.

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<sup>2</sup> Calculated as £5.666m (the special funding in 2005-6) uplifted by the government deflator for 2006/7, 2007/8 and 2008-9, plus 10%.

h. In support of the research promotion and facilitation of all the Institutes comprising the SAS, and in recognition of the integral role of libraries in that objective, part of the SF to the University of London currently allocated to SHL, proportionate to the relative costs incurred by SHL in its development and management of the collections in English Studies, Music, Philosophy, Romance Studies, US Studies and immediately cognate studies, should be transferred to the SF for the School of Advanced Study.

i. The School's transfer of the budgets of the five Institute libraries located in SHL to the ULRs should continue, but this should be done in a way that protects the visibility of the total Special Funding provided by HEFCE, and of the outputs it is purchasing. This could be achieved, for example, through an annual statement of ULRs, or by some form of service level agreement, or other appropriate mechanism of accountability.

j. The Special Funding allocation for the SAS should include the 'whole institution' funding element of the T-grant and should be clearly specified in the letter of grant to the University of London.

16. Consistent feedback from stakeholders on the value of SAS's facilitation activity, and the information on the funding deficit brought to light by the full economic cost (fEC) analysis, are persuasive and we support a modest increase in funding represents a sound investment to secure the research facilitation role of the Institutes. The case for the increase is set out more fully in paragraphs 28-32 of **Annex A**. Whilst HEFCE should not be responsible for covering 100 per cent of the full economic costs the proposed 10 per cent increase makes a significant contribution to the funding gap identified by the JM Consulting study.

17. In return for this security of HEFCE funding over the next five years, SAS and the University have a significant requirement for far-reaching reform of the Governance and oversight of the School. We will work with the University and the School to ensure that planning is robust and that performance indicators are relevant and achievable and help to strengthen existing activity.

#### Recommendation

The Dean of the School should have the roles of chief executive and budget holder for HEFCE's Special Funding and report through the Vice Chancellor of UL to the UL Board of Trustees. In particular:

- a. The Dean should have responsibility for determining the allocation of SF to the Institutes and the allocation should be based on a resource allocation model that places appropriate weight on the research promotion and facilitation objectives of the School.
- b. The Institute Directors should be accountable for the financial and academic performance of the Institutes to the Dean of the School.

18. This requirement would indicate a very specific demand on UL and the School, of the type HEFCE does not normally make. However, we consider the requirements to be a reasonable and a clear way of making improvements in budget control and over-sight, and they have been welcomed by the Vice-Chancellor of the University and the Head of

SAS. The Directors of the Institutes were consulted individually by Sir Ivor though there may be a mixed reaction to these specific recommendations. However, this has to be balanced in the context of significant HEFCE investment which requires more up-to-date leadership, governance and management arrangements.

#### Recommendation

The Strategic Development Fund should give careful and speedy consideration to bids for start-up funding from the Institute of Musical Research and the Institute of Philosophy, subject to a realistic appraisal of their sustainability over the medium-term.

19. The University of London first put forward proposals for additional funding for these two institutes in summer 2006. We initially considered putting these to the Strategic Development Fund (SDF) panel notwithstanding some reservations amongst the Executive about the substance, but decided that it would not make sense to take these bids further, pending the review. We should now accept the recommendation that they now be put forward for consideration for SDF funding, on the understanding that they will undergo the same process as any other SDF bid without prejudging the merits of the business case for the two institutes.

#### **Financial Implications**

20. Any decision from HEFCE on an increase in funding would need to be contingent on affordability, so implementation depends on HEFCE's Comprehensive Spending Review (CSR) settlement.

21. If accepted, these recommendations would require an uplift to the SAS SF grant of approximately £613,000 in 2008-09. This increase would be linked to the reforms recommended in the report, and from 2009-10 the government deflator uplift would be applied.

22. The implementation of the conditions will require, at least in the short term, significant HEFCE input and oversight which will impinge on our staff resources.

23. The implications of changes to funding of Senate House and the Institutes' libraries are considered in paper B84/07.

24. Consideration of an SDF award to support the Institutes of Philosophy and Music Research could have additional financial implications and these would have to be considered within the overall SDF budgets for future years.

#### **Risk Assessment**

25. The key risk at the start of the review process was that the conclusions of the report would be unwelcome to the University and the School. Sir Ivor's review, particularly as it included full economic cost analysis, was relatively invasive and detailed and understandably caused some nervousness. However, the robustness of the fEC work and the wide consultation, in writing and in person, conducted by Sir Ivor mitigated

this particular risk to a great extent. HEFCE officers have also maintained good contact with the management team at the University. The Vice Chancellor and the Dean of the School welcome this review and the recommendations made in it.

26. The principal risk will be the implementation of the recommendations, should they be accepted by the Board. The recommendations will involve significant work and culture change in the SAS. However, the positive attitude of the senior staff involved is very welcome, and the way in which Sir Ivor conducted the review has built confidence in the University and in HEFCE that progress can be made and the conditions in the report met.

### **Sector Impact assessment**

27. A full sector impact assessment has been carried out. In the short term, there will be significant additional administrative burden on the University and the School in delivering on the conditions of funding. The recommendations include an overhaul of strategic planning, the introduction of service level agreements, an updated approach to TRAC, and a reorganization of budget control. HEFCE will need to be closely involved in much of this work, so there is burden on both parties. However, there is significant mutual gain to the Council and to the University in undertaking this work. For the School and Senate House, it will provide a certain level of financial security, alongside recognition of the strong role that SAS plays in research facilitation. If implemented successfully, the recommendations will strengthen the School's ability to manage itself efficiently and effectively. From HEFCE's point of view we will be able to secure a national research facility in the arts, humanities and social sciences for the wider benefit of the HE sector. In doing so we will also improve the value for money dimension of our investment. Moving SAS into line with other parts of the HE sector in terms of financial and strategic management, will give us ongoing assurance on the proper use of public funding.

28. The proposals are neutral in terms of their impact on diversity and sustainable development.

### **Public presentation**

29. This Board paper will be available on HEFCE's website. In addition, Sir Ivor's full report will be available on our website as one of our Research and Evaluation Projects. We will send copies of the report to interested parties and key stakeholders.

The full appendices to this report are available from Matt Edwards ([m.edwards@hefce.ac.uk](mailto:m.edwards@hefce.ac.uk) or 0117 931 7434)

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**Review of HEFCE Special Funding for the School of Advanced Study, University of London**

**Executive Summary**

This report was commissioned by HEFCE in Autumn 2006. It is a fundamental review of our Special Funding for the School of Advanced Study (SAS), University of London. The report has been written by Sir Ivor Crewe, Master of University College, Oxford, and is submitted to the HEFCE Board for their consideration. The report is based on, in part, a full economic cost analysis carried out separately by JM Consulting.

The report finds that there is a strong case for HEFCE continuing to provide resource for SAS through Special Funding. It also finds that the University of London, SAS, and HEFCE should work jointly to develop strategic planning for the SAS, and recommends several governance reforms.

**Introduction**

1. Since 1994 HEFCE has provided a special funding stream (SF) to support the University of London's School of Advanced Study (SAS). The rationale for this is that the SAS constitutes a resource of national importance, facilitating advanced scholarship and excellent research in the humanities and social sciences across the UK, and, therefore, merits special funding arrangements outside the formula-based HEFCE grant.
2. In 2000, the HEFCE Board decided to review whether the specialist work and activities of the School of Advanced Study justified its special funding, taking into account the quality of its research and its contribution to the relevant subject communities in London, nationally and internationally. A review panel of external specialists, chaired by Sir Martin Harris, carried out a peer review exercise that

considered in depth the rationale for the organisation and funding of the School, including an analysis of quality, costs and value for money. The panel found that there was a case for continuation of the special funding and made recommendations to that end.

3. The panel also recommended to the HEFCE Board that a further review process be established in autumn 2004 to examine the operation of the special funding scheme. Sir Martin Harris completed this review and reported his findings to the HEFCE Board in July 2005. The report is attached at Appendix A. It included the recommendation that HEFCE:

*Retain the Special Funding line for the central University at the current level in real terms and through the present route until 2008-09, but communicate to the central University that there is no presumption that current arrangements will continue after that date.*

4. The Board accepted this recommendation. In order to allow the University of London and SAS to plan for possible funding changes from 2008-09, HEFCE commissioned Professor Sir Ivor Crewe to undertake a further independent report by autumn 2007, with the following terms of reference:

- To provide advice to HEFCE on long term options for the funding of the School of Advanced Study.
- To review and assess the work and activities of SAS in terms of the contribution made to the relevant subject communities in London, nationally and internationally.
- To review income, costs and value for money of the SAS.

### **History of HEFCE funding for the School of Advanced Study**

5. Since 1993, the constituent colleges of the University of London (UL) have each been directly funded by HEFCE. At the same time HEFCE agreed to fund the central University for those activities for which it had responsibility but which were not funded by the colleges through UL's internal charging mechanisms. The size of this Special Funding was based on an earlier study carried out by the then University Funding Council's University of London Federal Policy Group. Since inception it has been uplifted each year by the GDP deflator. It was additionally increased by £552k in 2002-03 when, as a result of the 2000 Harris review of funding arrangements, quality-related research income for the School's Institutes (as informed by the 2001 RAE) was transferred from normal block grant into special funding. By far the largest allocation of the SF was intended for the SAS, and another significant allocation was intended for Senate House Library (SHL), formerly called the University of London Library. The remainder of the SF was intended for other central UL responsibilities, including the University Marine Biological Station at Millport.

6. The 2000 and 2005 Harris Reports confirmed that SF was the appropriate form of HEFCE funding for SAS. Formula-based teaching and research funding would have been unsuitable because the School teaches only a limited number of students (and then all at PG level) and because a significant part of its research-related activities consists of research promotion and facilitation on behalf of the regional and national subject communities, which the RAE is not designed to assess.
7. The 2000 Harris Report proposed that HEFCE consider transferring its Special Funding *en bloc* to the then Arts & Humanities Research Board (now the Arts & Humanities Research Council) for administration as institutional funding on lines analogous to those adopted for museums and galleries. The proposal was repeated in the 2005 Harris Report, which recommended that HEFCE

*“review the options available for the ... funding of the Institutes as national centres of excellence of research facilitation in their fields, taking into account... opportunities presented by the recent creation of the AHRC, with the possibility that funding at current levels might eventually be permanently transferred”.*

However, although its remit includes the promotion and facilitation of research and it is well equipped to make peer-based assessments, the AHRC has firmly indicated that it would decline any proposal to accept responsibility for the funding of the School of Advanced Study, beyond accepting proposals for individual research projects

8. If the School is a centre of excellence making a significant contribution to the national research base of the humanities and social sciences, there is a strong case for providing stable core funding that would enable it to plan for long-term development. However, the appropriate mechanism for funding the School poses HEFCE some challenges. HEFCE wishes to reduce the number of its Special Funding initiatives, which are inevitably first in line for extra-critical scrutiny at times of financial constraint. Yet alternative modes of funding have serious drawbacks. Formula-based funding is inappropriate for the reasons given earlier. The AHRC is unwilling to shoulder the responsibility. The incorporation of the School within a College of the University has been mooted and might be seriously considered by at least one of the Colleges. But incorporation would almost certainly undermine the School's core role of research facilitation, which depends on its independence from, and lack of competition with, the Colleges. It would also risk a loss of identity, international reputation and external funding. There appears to be no obvious practical alternative to Special Funding. However, given the unsuitability of the RAE, assessing the quality of the School's activities and the appropriate level and conditions of funding is not straightforward.

## The School of Advanced Study

9. The SAS was created in 1994. It comprises ten research institutes in the humanities and the social sciences; seven Institute-associated libraries which form part of the University of London Research Library Services (ULRLS); and the Dean's Office, which offers strategic direction, provides administrative services and takes inter-disciplinary initiatives. Two of the libraries retain devolved managerial and budgetary control. Table 1 summarizes the size and activities of each constituent Institute
10. The School is not an incorporated College, but rather an integral part, of the University of London which provides various central services (e.g. finance, HR, computing). It is independent of the Colleges but collaborates with them on teaching and research programmes. It receives almost no direct funding from the Colleges (except for tuition fees for courses taught to some College postgraduates) but benefits indirectly from the secondment of some senior College academic staff as Institute Directors and from the Colleges' subscription to the Senate House Library to which it also subscribes on the same basis.
11. There is no comparable institution to the School in the UK. The closest is the Institute for Advanced Study in the Humanities at Edinburgh, but it does not own significant research library collections and functions on a much smaller scale. A number of universities are centres of excellence in the humanities and social sciences but operate with limited resources in a competitive environment and so do not play the role of national research facilitator.
12. In scale the School lies between a specialist HE institution and a typical arts or social science faculty of a large university. In 2005-6 the School's aggregate income (including the libraries) was £14,193k, it employed 228 FTE staff including library staff, and it taught and supervised 293 postgraduate students (229 FTEs). Its research promotion and facilitation activities were on an exceptional scale for an institution of its size. It received 120 Visiting Fellows (typically for 4-5 months' duration); organised over 1,200 seminars, workshops, conferences and special lectures attended by audiences totalling over 30,000; was involved in 1,000 individual collaborative arrangements; edited and managed 12 academic journals and produced 47 book-length publications. The seven Institute Libraries hold specialist collections of 1.23 million volumes, 26,000 electronic journals and 300,000 photographs; acquire 20,000 additional volumes annually (of which a third are donated); register 24,000 readers and in 2005-06 received 260,000 visits.
13. As Table 1 shows, the Institutes of the School vary markedly in size and activity. There is no one model. This reflects the different circumstances and mission of their original establishment and their varying longevity. The two largest – the Institutes of Advanced Legal Studies and Historical Research – have an income of over £3M and employ over 50 staff each, whereas the two fledgling Institutes of Musical Research and of Philosophy exist on budgets of under £100k and a couple of part-time Directors. There are three other small Institutes with 11-12

staff each and budgets of £600k-£700k. Seven of the ten Institutes accept Masters and Doctoral students in varying proportions and numbers but three offer no teaching. Three Institutes do not have their own library collections and two others – in Germanic & Romance Studies and For the Study of the Americas – rely on Senate House Library for part of their area of coverage.

**Table 1. The Institutes of the School of Advanced Study, 2005-6.**

Institute	Total income ('000)	Library income ('000)	Staff numbers (FTE)	Visiting Fellows (heads)	PG student numbers (heads)	<i>Research facilitation events</i>		
						No of events	Attendees	Library visits
<b>Advanced Legal Studies</b>	957.0	2,071.7	50.8	35	46	68	3,083	138,540
<b>Classical Studies</b>	276.3	390.9	4.8	16	0	151	3,172	45,930
<b>Commonwealth studies</b>	954.9	351.9	12.7	10	73	92	2,398	9,654
<b>English Studies</b>	604.9	0.0	11.0	14	24	122	2,402	0
<b>Germanic and Romance Studies</b>	506.4	202.2	8.8	14	23	104	2,317	6,126
<b>Historical research</b>	3,047.5	436.6	48.9	5	36	506	9,771	29,429
<b>Musical Research</b>	40.0	0.0	2.0	0	0	8	94	0
<b>Philosophy</b>	80.6	0.0	2.0	6	0	33	1,988	0
<b>Study of the Americas</b>	1,340.1	22.0	18.3	3	78	56	1,379	6,471
<b>Warburg Institute</b>	1,120.6	N/A	37.9	17	13	84	3,002	24,073
<b>Total</b>	<b>8,928.3</b>	<b>3,475.3</b>	<b>197.1</b>	<b>120</b>	<b>293</b>	<b>1,224</b>	<b>29,606</b>	<b>260,223</b>

14. The first of the School's stated objectives is "to serve national and international interests in the promotion and facilitation of research and advanced study in the humanities and social sciences". The promotion and facilitation of research on behalf of the national subject community competes for staff time and energy with postgraduate teaching and personal research and appears to be more central to the mission of some Institutes than others. But all the Institutes engage in a range of activities designed to further this objective, notably the organisation of conferences, seminars and special lectures; the production of publications series and scholarly journals and the management of (and fund-raising for) visiting fellowship programmes. Some provide services and facilities for the national disciplinary community and its bodies and for collaborative research programmes. Although London's university community benefits particularly from the School's

academic facilities and services, the majority of beneficiaries are from outside London and a significant proportion are from overseas.<sup>3</sup>

15. The School's libraries are integral to its academic activities, identity and reputation, as is common in the humanities. They constitute major and, in some cases, unique specialist collections of great national (and international) importance. They are an invaluable resource for humanities scholars in the UK and wider afield and critical for the recruitment of academic staff, postgraduate students and visiting fellows to the Institutes.
16. A number of changes have affected the School since the 2005 Harris Report. In 2004 the Institute for the Study of the Americas was formed from the merger of the Institutes of Latin American Studies and of United States Studies and the Institute of Germanic and Romance Studies was created from the two separate Institutes of the same respective names. Both mergers have been a success and the new Institutes are firmly embedded in the School. The re-organisation of the Dean's Office has resulted in stronger central administrative support for the Institutes and a number of initiatives for harnessing the inter-disciplinary potential of the School. A significant development is the convergence of the Institute's libraries with Senate House Library under the umbrella of the University of London Research Library Services (ULRLS). The convergence is not yet complete but has made sufficient progress to enhance the quality of library services to the national subject communities and generate modest savings.
17. A more troubling, although temporary, development is the provisional accommodation in which a number of Institutes are housed pending re-location to the renovated Senate House. The renovation programme has fallen seriously behind schedule as a result of setbacks in gaining Listed Building Consent [Note: This has now been obtained from the Camden Local Authority.], leading to a postponement of the relocation until at least 2009 and to a number of uncertainties, notably the eventual physical configuration of the Institutes and their libraries. The delay may have adversely affected the Institutes' financial performance and has hampered new initiatives and strategic planning.

### **The consultation exercise**

18. As part of the Review, HEFCE undertook an extensive consultation of the School's stakeholders, in particular its subject communities in the UK and abroad and the colleges of the University of London. Those asked for their views included the heads of the national scholarly associations and the members of the appropriate RAE panels, the AHRC, British Academy, and other individuals. The text of the consultation letter, and a list of those persons invited to respond, are attached at Appendix B. In addition, I held a series of meetings over two days with the Dean of the School, and the Directors, academic staff and postgraduate students of the Institutes. I had separate meetings with the Vice Chancellor of the

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<sup>3</sup> For example, 85% of the visiting fellows are from outside London and 76% of the speakers belong to institutions outside London (45% rest of UK, 31% overseas).

University of London, the President of the British Academy and the Heads of two of the London colleges.

19. The consultation focussed on the SAS's record of promoting and facilitating research in the humanities and social sciences. The response was almost uniformly positive, and highly so. The Institutes of Advanced Legal Studies, Classical Studies and Historical Research and the Warburg Institute were frequently depicted as world class but all the Institutes were strongly commended. The few critical comments referred to the disruption caused by the delayed relocation of the Institutes to Senate House and the insecurity of the SAS arising from short-term funding and the uncertain future of the University of London.
20. Three broad themes recur in the responses. The first is the School's unique role in fostering national subject communities in the humanities through its libraries and research facilitation activities. This is especially valuable in the humanities, many of whose scholars work in isolation, often in small departments, dispersed across the UK. The SAS is appreciated for acting as a national coordinating and communications hub for each subject, and as an international meeting point for humanities scholars from the UK and overseas. Its independence from any other higher education institution and its location in the 'magnet' of central London, which offers an immensity of intellectual resources, access to national institutions and academic networks, give it a unique advantage for these purposes. The second is the School's success in promoting inter-disciplinary innovation in the humanities in the UK by bringing together the ten Institutes physically and administratively. Many respondents remarked that the assembling of the Institutes within a single structure enhanced what each could offer and made the School greater than the sum of its parts. The third is the exceptional quality of the collections and, generally, the research services of the Institutes' seven libraries. Many respondents clearly regarded the libraries as the heart of the Institutes and the jewel in the School's crown. The overwhelming view, from UK and overseas respondents alike, was that the SAS is a national and international centre of excellence deserving of public support.
21. Accordingly, it is recommended that HEFCE provides the School, including its libraries, with a stable long-term funding environment by means of Special Funding. Specifically it is recommended that:
  - Special Funding be given for the period August 2008-July 2013;
  - The Special Funding should be awarded explicitly for the purposes of national research promotion and facilitation in the humanities and social sciences, these purposes to be defined by HEFCE in agreement with the School;
  - The Special Funding should be renewable for further five-year periods subject to the outcome of a review undertaken in the fourth year of funding. The review should include national and international peer opinion, appropriate performance indicators and an analysis of the full economic costs of the School's research facilitation activities.

Recommendations about the level and conditions of Special Funding are set out later in this Review.

### **The financial basis of the School of Advanced Study**

22. Special Funding for the SAS has remained constant since 1994, other than for the annual GDP deflator uplift and the incorporation of £552k of QR funding from 2002-03. Moreover, the allocation of Special Funding to the individual Institutes of the School has continued largely unchanged since the School's inception and bears no discernible relation to any income or cost-based resource allocation model. As the number and composition of Institutes has changed – through mergers and the evolution of academic programmes into full Institutes – the sum total of available Special Funding has remained constant in real terms. Allocations have been adjusted from a top-sliced School's reserve and by incremental modifications only. Consequently, the current size of the Institutes, whether measured by income or activity, is not reflected in their Special Funding allocations. The distribution of SF money to the Institutes may fairly be described as arbitrary.
23. As an aid to determining an appropriate level of Special Funding for the SAS, HEFCE commissioned JM Consulting Ltd to undertake a financial analysis of the School and its Institutes based on TRAC full economic cost principles. This section of the Report draws on its findings, which are presented in Appendix C. The financial analysis estimates the income and full economic costs for 2005-06 of the totality of activities undertaken by the School as a whole and its constituent Institutes, including the Institutes' libraries, and the Dean's Office. Income and costs are allocated to four categories of activity: teaching, research, research facilitation and libraries (there is also 'other income'). The latter two categories are the focus of particular attention because they are the activities for which HEFCE provides SF. In accordance with TRAC principles, estimates of full economic costs include adjustments for current cost depreciation of infrastructure and a return for financing and investment, and as a result they produce different figures from those in the School's published accounts.

#### *Methods and Validity*

24. Appendix C describes the methods and assumptions adopted for arriving at the estimates. They take account of consultation with the Dean and Directors of the School as well as the finance staff of the University of London and the Director of ULRIS. The analysis had to cope with a number of obstacles to accuracy. The most significant of these are: the absence of 'research facilitation' as a category of activity in the TRAC time allocation records kept by the School's staff; the artificiality of distinctions between RF and R or T in some of the support activities undertaken by the School's staff; the difficulty in separating library from other academic activity in the two Institutes retaining embedded libraries; and, thus, the lack of cost comparability between these two libraries and the five in Senate House. In addition, the housing of some Institutes in temporary accommodation

prior to taking up permanent residence in Senate House may make their 2005-06 space costs a poor predictor of their future space costs.

25. The accuracy of the estimates, therefore, depends on the level of analysis. They are robust for overall income and costs of the School as a whole and they are a satisfactory indicator of the relative income, costs and deficits of the four categories of activity. Estimates for individual Institutes, however, particularly when disaggregated by activity, require more tentative interpretation. It would be rash to place reliance on them until they are replicated by future estimates based on data drawn from more suitably designed TRAC time allocation records.

*The overall financial position of the School*

26. Table 2 below sets out the total income and costs of the SAS in 2005-06. It shows that the School was running at a significant deficit of £5.081M, 36% of its income, even after HEFCE special funding is taken into account. This deficit is larger than that reported in the School's accounts but represents the financial position of the School against the expenditure requirements for long-term sustainability. The School's long-term financial position is clearly untenable and needs to be addressed as a matter of urgency by the School and the University of London and to be borne in mind by HEFCE when setting the level and conditions of continued special funding.

**Table 2. Income and full economic costs of the SAS, 2005-6**

	<b>£k</b>	<b>costs</b> %
<b>Costs (FEC) inc TRAC cost adjustments</b>		
Teaching	2,974	15
Research	6,471	34
Libraries	6,083	32
Research facilitation	3,747	19
<b>Total costs (TRAC cost adjustments = £3,284k)</b>	<b>19,275</b>	<b>100</b>
<b>Income</b>		
		<b>income</b> %
HEFCE Special Funding (see Note)	5,666	40
HEFCE T-grant: formula funding	274	2
Tuition fees	972	7
Approximation for QR	594	4
Research grants/contracts (inc PGR supervision grant)	2871	20
Library income	1375	10
Income from research facilitation	948	7
Vice Chancellor's Development Fund	588	4
Other (e.g. interest, room bookings)	905	6
<b>Total income</b>	<b>14,193</b>	<b>100%</b>
<b>Surplus/(deficit)</b>	<b>-5,082</b>	<b>-36%</b>

Note: This comprises a £5,671k allocation from HEFCE's Special Funding grant of £7,675k, less an approximation for QR of £594k and £22k for PGR supervision plus £611k 'whole institution' funding provided via the T-grant.

*The finances of the School's different activities*

27. A disaggregation of the overall deficit by type of activity shows that all four of the School's core activities incur deficits, although on a varying scale (see Table 3 below). The two activities for which HEFCE allocates special funding - libraries and research facilitation - incur a deficit totalling 19% of costs. The total annual cost of the School's libraries and research facilitation activities is £9,830k. They earn £2,325k of income, and receive £5,665k of HEFCE special funding, leaving a shortfall of £1,840k. The deficits on teaching (58%) and research (46%) are very much larger because these activities receive much less HEFCE funding.

**Table 3. Income and full economic costs by type of activity in 2005-6.**

Activity	Total costs	Income excluding HEFCE funding	Deficit before HEFCE special funding	HEFCE special funding	Deficit after HEFCE special funding	Source of income
	£k	£k	£k	£k	£k	
Teaching	2,974	1,246	1,728	0	1,728	
Research	6,471	3,473	2,998		2,998	research grants/contracts
Libraries	6,083	1,376	4,707	3,553	1,154	fees for library services
Research facilitation	3,747	949	2,798	2,112	686	delegate fees, journal subs
Other income		1485	-1485		-1485	all other: VCDF, interest room hire fees etc
<b>Total</b>	<b>19,275</b>	<b>8,529</b>	<b>10,746</b>	<b>5,665</b>	<b>5,081</b>	

**Note:** summations are subject to roundings

*Should baseline special funding be increased?*

28. HEFCE's current level of special funding does not meet the full economic costs of the School's libraries and research facilitation activities, after taking non-HEFCE income into account. In deciding whether to increase baseline special funding, HEFCE may wish to bear four considerations in mind.
29. The first is the allocation made by the University of London to the School from its overall HEFCE Special Funding grant. Out of the £7,675k total grant, the School received £5,671k. A further £942k was allocated to Senate House Library, from which the School benefits particularly from SHL's collections in English Studies, Musical Research, Philosophy, Romance Studies and United States Studies and the administrative services of ULRLS. Moreover, the School currently receives about £600k from the University of London Vice Chancellor's Development Fund (VCDF). Nevertheless, it is difficult to see how the School gains from some of the allocations made by the UL out of its HEFCE Special Funding (e.g. to the Deaneries and London Extra Costs). There does not appear to exist a firm policy statement on the basis of the current allocation but there should be scope for some increase in UL's future allocations of Special Funding to the School.
30. The second is the level of estates and service charges levied on the School by the University of London, which amounted to £1.4M in 2005-6. These charges are based on TRAC full economic cost principles, but HEFCE may wish to satisfy itself that this level of charging is reasonable compared with other appropriate HEIs and be assured that Special Funding for SAS is not being used inadvertently to support high-cost UL services. To enable the Dean of the School and the Institute Directors to manage their costs more effectively, it would be

advisable if the University of London's charges to the School were accompanied by a service level agreement and transparent charging mechanism.

31. The third consideration is whether current levels of expenditure by the School represent value for money or whether there is scope for savings and efficiencies. Neither the financial analysis nor the consultation exercise can provide decisive evidence on this. The scale of national research facilitation activity undertaken by a relatively small number of staff presents a *prima facie* case for good value for money. For example, the Institute of Classical Studies, whose total staff number fewer than 12FTEs, sustains a library of 119,000 volumes, almost 8,000 registered readers and 46,000 visitors a year and in 2005-06 hosted 151 events and 279 speakers. But the ICS has no students of its own, and other Institutes of a similar size with substantial postgraduate programmes engage in research promotion and facilitation on a relatively smaller but still significant scale. The Dean's Office has made encouraging progress in the central provision of administrative and academic services, but there are opportunities to move further in this direction and make some savings. The School has been somewhat hampered by the moratorium on some activities arising from the delayed relocation to Senate House and this may have affected its financial performance. Moreover, the Institutes' Directors have not been fully aware until now of the precarious long-term financial position of the School.
32. A final consideration is the absence of any dynamic or competitive element in a stable SF and, as a result, the lack of incentive to improve performance. This form of funding contains no equivalent to the spur provided by the RAE grade and resultant QR income. Indeed, the Harris recommendation (see para.6) that the School does not participate in the RAE, although wise, places it and its individual academic staff at some potential reputational disadvantage.

- In light of the considerations spelled out above, it is recommended that the SF baseline for the SAS be raised by 10 per cent in 2008-09<sup>4</sup> (and annually by the Government deflator thereafter) that the following conditions be attached to the establishment of long-term SF for the SAS:
- The SAS should produce for agreement with HEFCE a definition of national research promotion and facilitation, a specification of eligible activities and an appropriate set of performance indicators;
- The SAS should produce for agreement with HEFCE a set of performance targets for monitoring at the 2011-12 funding review;
- HEFCE should explore the options for introducing a performance-based dynamic element to SF for the following five year funding period of 2013-14 to 2017-18;

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<sup>4</sup> Calculated as £5.666M (the special funding in 2005-6) uplifted by the government deflator for 2006-07, 2007-08 and 2008-09, plus 10%.

- The SAS should revise its TRAC time allocation method as soon as the new definition of national research promotion and facilitation is agreed, so that some pilot information will be gained during financial year 2007-08, and so that the SAS can directly account for the cost of its research promotion and facilitation activities for the full financial year 2008-09;
- The University of London should clarify the basis on which central support activities are charged to the SAS, benchmarked against appropriate comparators, and produce a forecast of these charges for the periods 2008-09 to 2012-13;
- University of London charges to the School of Advanced Study should be accompanied by a service level agreement;
- The SAS should produce a five-year financial strategy and forecast showing how HEFCE-funded research facilitation activities, including library services, can become sustainable within a defined period;
- In support of the research promotion and facilitation of all the Institutes comprising the SAS, and in recognition of the integral role of libraries in that objective, part of the SF to the University of London currently allocated to SHL, proportionate to the relative costs incurred by SHL in its development and management of the collections in English Studies, Music, Philosophy, Romance Studies, US Studies and immediately cognate studies, should be transferred to the SF for the School of Advanced Study.
- The School's transfer of the budgets of the five Institute libraries located in SHL to the ULRLS should continue, but this should be done in a way that protects the visibility of the total Special Funding provided by HEFCE, and of the outputs it is purchasing. This could be achieved, for example, through an annual statement of ULRLS, or by some form of service level agreement, or other appropriate mechanism of accountability;
- The Special Funding allocation for the SAS should include the 'whole institution' funding element of the T-grant and should be clearly specified in the letter of grant to the University of London;

## Governance

33. HEFCE's provision of stable funding, with a one-off permanent uplift of the baseline, would enable SAS to fulfil its primary objective of facilitating excellent research in the humanities and social sciences on behalf of the national subject communities on a long-term sustainable basis. However, the substantial deficits incurred by the School's other activities - teaching and research - threaten the financial viability of the School as a whole. It is recognised that the School's teaching and research sustain the academic vitality of its research facilitation activities, and are inseparable from it. HEFCE will wish to be assured, however, that SF explicitly for the purposes of research facilitation is not unduly subsidising other loss-making enterprises in the School. It will wish to have confidence that the School will operate with systems of governance and management that enable it to take the urgent and major steps necessary to address its structural financial problems over the next five years.
  
34. The current arrangements for determining the strategic direction, resource allocation and financial management of the School are not suited to addressing the challenges ahead. Reference has already been made to the opaque basis on which the University of London earmarks the portion of its HEFCE Special Funding for the SAS. The basis on which that portion of SF is allocated to the individual Institutes is equally obscure. Formally the allocation is made by the Board of School, which is composed largely of distinguished outsiders, on the recommendation of the School's Directorate and the Vice Chancellor of UL who chairs the Board. The Board of the School reports to the Council of UL, of which a number of the Institute Directors are members. The School's Directorate also comprises the Directors of the Institutes, chaired by the Dean, whose financial and managerial authority is limited.
  
35. Until now the School has, in effect, consisted of a fairly loose confederation of quasi-independent Institutes. In the future, if it is to prosper, the School will require firm and imaginative leadership, a coherent School-level strategic plan, and the cooperation and integration of the Institutes. It will also require a steady movement towards the central provision of administrative and academic services and the elimination of wasteful duplication among Institutes. In its self-evaluation report the School acknowledges that 'Institutes have continued largely to manage their own individual approaches to research facilitation with quite diverse patterns of staffing and levels of expenditure, with the result that relatively speaking the overall cost of administration across the School is high' and goes on to say that 'the strategic objective must be to ensure that the School is distinguished by the variety of its academic programmes rather than by the variety of its administrative arrangements' (Vol. 1, pp.14-15). The framework of governance and management should take advantage of the recent reforms to the governance of the University of London and be revised to enable the School to remedy these structural weaknesses.

36. Accordingly it is recommended that:
- The Dean of the School should have the roles of chief executive and budget holder for HEFCE's Special Funding and report through the Vice Chancellor of UL to the UL Board of Trustees;
  - the Dean should have responsibility for determining the allocation of SF to the Institutes and the allocation should be based on a resource allocation model that places appropriate weight on the research promotion and facilitation objectives of the School
  - the Institute Directors should be accountable for the financial and academic performance of the Institutes to the Dean of the School.

### **The Institute of Philosophy and the Institute of Musical Research**

37. In 2005 the SAS established the Institutes of Philosophy and Musical Research, each with pump priming funds and a Director seconded from a London College. The Institute of Philosophy is a successor to the inter-collegiate Philosophy Programme which began in 1994; its major source of income is the University of London's Vice Chancellor Development Fund (VCDF). Funding for the Institute of Musical Research is split equally between HEFCE's Special Funding and a consortium of the Royal Academy of Music and four University of London music departments. Neither of the two Institutes has its own library or offers teaching, but the IP has a small number of visiting Fellows, and both provide research facilitation services to their respective subject communities.
38. Both Institutes submitted bids to HEFCE's Strategic Development Fund in 2006 for start-up funding, of which the outcome has been delayed pending this Review. The 2005 Harris Report referred to the new Institute for Musical Research as one of the School's best conceived ideas for development and recommended that the SDF give 'sympathetic consideration' to the case for start-up support 'as a national centre for research facilitation in this important area for the creative industries' with longer-term funding provided through the core funding for the School.
39. Both Institutes have well worked out and innovative plans for the promotion of their subjects, including external funding and endowments, if medium-term start-up funding can be secured. These need to be supplemented by a robust business plan for the forthcoming five-year funding period. Both have the active support of the relevant subject departments in the colleges of the University of London and the IMR appears to have backing from the creative industries sector. The Institute of Philosophy has older roots in the subject community and more extensive international links. Both deserve careful and (in view of past delays) speedy consideration from the SDF, including a realistic appraisal of their sustainability over the medium-term, based on the business plan.. In responding to the Institutes' bids the SDF panel may wish to take into account likely future contributions from the University of London, Senate House Library and, in the case of the IMR, the consortium of London music departments.

40. Accordingly it is recommended that:

- The Strategic Development Fund give sympathetic and speedy consideration to bids for start-up funding from the Institute of Musical Research and the Institute of Philosophy, subject to a realistic appraisal of their sustainability over the medium-term.

### **Report on Special Funding for Research Support Libraries**

41. HEFCE has commissioned a separate but parallel report on the Special Funding of research libraries of national importance. These include Senate House Library which currently receives part of the SF granted to the University of London. The outcome of the Report will have a direct impact on the School because the Institute libraries and SHL are converging and because the SHL has a critical importance for those Institutes without their own collections. In arriving at conclusions and recommendations on Senate House Library the Report has borne the implications for the School in mind.