UK Higher Education Sector Position on the Horizon 2020 Framework for Research and Innovation

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UK higher education sector position on the future of the Framework Programme – key points

Summary of key UK higher education sector positions on Horizon 2020

- The UK higher education sector strongly supports the commitment of Horizon 2020 to the use of excellence as the prime criterion for determining receipt of research funding in Europe. The sector also supports the commitment to increase funding for research and innovation to €80 billion, and calls on the Commission and Parliament to support this figure as a minimum level of funding for Horizon 2020.

- The sector supports the three central programme objectives identified to underpin Horizon 2020, and considers the relative balance of funding budgets proposed to be broadly appropriate.

- The sector strongly supports proposed measures to reimburse up to 100% of eligible direct costs. While the proposal for a single flat rate of 20% for reimbursement of indirect costs has received mixed reactions, there is broad consensus across the sector that a higher rate of reimbursement for indirect costs should be considered.

- Flat rate and lump sum options can be useful in particular circumstances, but should be retained on an optional basis.

- The sector is disappointed at plans to remove the option for institutions to use full economic costing methodology to claim real costs. The sector strongly urges the Commission to develop a simpler certification system for declaration of real indirect costs, and to include it in Horizon 2020 as an option for those institutions that choose to use it.

- The sector welcomes the continued commitment to the Marie Curie Actions (MCA). However, there is significant concern that in real terms the current proposals would see a drop in budget. The sector calls on the Commission to increase the proportion of the budget allocated to the flagship MCAs, and to avoid the dilution of the flagship MCAs in favour of the Cofund Scheme.

- The sector calls on the Commission and the Parliament to work together to ensure the adoption of the proposed budget increase of 77% to support the European Research Council.
The sector supports the Commission’s proposals to strengthen interactions between Horizon 2020 and the Structural Funds, and to develop a clearer division of labour between the two programmes. However, more must be done to ensure alignment of the Structural Funds with research and innovation priorities, and to clarify and facilitate synergies between Horizon 2020 and the Structural Funds.

There is widespread support across the sector for aspirations to adopt a more focused approach towards cooperation with countries outside the EU. However, there is a lack of clarity surrounding new plans for international collaboration. The sector calls on the Commission to develop a transparent mechanism for translating high level policy objectives into concrete and transparent opportunities, and to clarify how new solutions will be developed under Horizon 2020.

There is broad support from across the UK higher education sector for the specific ‘societal challenge’ areas identified in the Horizon 2020 proposal. It is important that the Commission liaises with stakeholders in developing details regarding how the societal challenges will be managed, and what they will look like at work programme level.

The sector calls on the Commission and the Parliament to ensure that the impetus to include social science research structurally in Horizon 2020 is carried through to the programme’s execution.

On the basis of what is presented in the proposal, the ‘Inclusive, Innovative and Secure Societies’ strand lacks coherence. The sector would welcome articulation of how this challenge would operate. It is also important that it does not operate as a repository for strands that do not fit elsewhere in the structure, such as the intergovernmental European Cooperation in Science and Technology (COST) framework.

The sector encourages the Commission to ensure that Horizon 2020 includes a clear statement on the relationship between the European Institute of Innovation and Technology (EIT)’s Knowledge and Innovation Communities, and the societal challenges identified in Horizon 2020.

It is important that there is a clear justification for the ten-fold increase in funding for EIT activities proposed under Horizon 2020. The sector also strongly supports plans to streamline the EIT’s administration and governance structures.
Introduction

1. This paper sets out the UK higher education sector position on the proposed Horizon 2020 Framework for EU innovation after 2013.

2. The UK sector broadly supports the European Commission’s proposals for the future of the European research and innovation landscape, and congratulates the Commission on having assimilated and responded to many of the key messages communicated to it by stakeholders over the consultation period.

3. UK higher education institutions are particularly pleased at the continued emphasis of Horizon 2020 on the principle of excellence, the level of continuity with the key priorities of the Framework Programme, and its commitment to forging closer links with activities in the higher education sector. As a major research player in Europe, the UK remains committed to engaging constructively and proactively with the European research agenda.

4. However, whilst the UK higher education sector is supportive of Horizon 2020 overall, a number of important aspects of the proposal remain to be resolved. This paper sets out the remaining challenges as identified by the UK higher education sector, and proposes ways of addressing them.

5. This response draws on submissions by UK higher education institutions, and has been written in consultation with sector bodies and individual experts from across the UK higher education sector. It has been approved by the UK higher education sector’s International Strategic Advisory Board, and highlights those policies and priorities where consensus exists across the sector.

Background

6. On 30 November 2011, the European Commission announced detailed proposals for Horizon 2020, the new EU Framework Programme for Research and Innovation. The proposed programme would operate from 2014 to 2020, with a total budget of €80 billion – a substantial increase on the budget for the Seventh Framework Programme, the current EU programme for Research and Innovation.

7. Horizon 2020 brings together all existing EU research and innovation funding, including the Framework Programme for Research (FP7), the innovation-related activities of the Competitiveness and Innovation Framework Programme (CIP) and the EIT.
8. In May 2011 the International Unit and Universities UK developed a sector-wide position paper on the ‘Common Strategic Framework’, the name given to Horizon 2020 in the early stages of its development, before it had been officially named. The majority of policy positions set out by the UK higher education sector as desirable for the future of European research and innovation policy have been taken on board by the European Commission and are represented in the Horizon 2020 proposal.

**UK higher education sector positions on Horizon 2020**

**Funding and structure of Horizon 2020**

9. The UK higher education sector supports the commitment, set out in the Horizon 2020 proposal, to increase funding for research and innovation to €80 billion. The sector is further supportive of the three programme objectives identified to underpin Horizon 2020 – Excellent Science, Industrial Leadership, and Societal Concerns – and considers the relative balance of funding budgets proposed to be broadly appropriate.

10. The extension of the proposed Future and Emerging Technologies scheme to research areas other than information communication and technology is particularly welcome, and fits well with the broad direction of Horizon 2020 to support curiosity-driven frontier research.

11. At the same time, the sector believes that the success of Horizon 2020 will largely depend on the ability to achieve at least the funding level proposed by the Commission, and encourages the Commission and the Parliament to support €80 billion as a minimum level of funding. The sector urges the Commission to highlight the importance of sustainable funding for European research ahead of other more traditional budget concerns, such as the Common Agricultural Policy.

**Simplification**

12. The UK sector welcomes the significant progress made in identifying steps towards the simplification of programme architecture. At the same time, the sector is keen to

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1 To view the May 2011 position paper on the Common Strategic Framework, visit [http://www.europeunit.ac.uk/sites/europe_unit2/resources/GreenPaper_EurUnit_UUK_Response.pdf](http://www.europeunit.ac.uk/sites/europe_unit2/resources/GreenPaper_EurUnit_UUK_Response.pdf)
ensure that simplification measures are directed as much at easing application and management processes for applicants as they are at diminishing the Commission's administrative burden.

13. The sector calls on the Commission to provide further detailed support documentation on how rules of participation should be applied in order to minimise the possibility of differing interpretations. The rules of participation themselves should be developed in a timely manner, ahead of the first calls, and in consultation with stakeholders.

14. There is also support from across the UK sector for the development of a central mediation service, open to beneficiaries and Commission officials, which could provide a definitive and legally binding response in cases of differing interpretation. This should be accompanied by good training for officials in Brussels dealing with project management, in order to ensure consistency of response from the Commission. Care should also be taken that any outsourcing of programme administration to third parties is not at the expense of simplification, and as far as possible there should be consistency in the administrative process across different constituent parts of Horizon 2020.

**Project coordination**

15. While having a single set of rules for all participants will undoubtedly make participation in the programme easier to understand for potential applicants, the sector notes that there may be less financial incentive for institutions to coordinate projects than under FP7. Under the terms of the Horizon 2020 proposal, higher education institutions would receive lower management cost reimbursement than in FP7, particularly for any project reimbursed at less than 100%. Project coordination can be intensive and demanding, and it would be unfortunate if there were disincentives to lead projects.

**Time sheets**

16. The sector welcomes the proposal that staff employed 100% on a project will not be required to keep time sheets, and calls on the Commission to extend a similar policy to all staff employed on projects funded under Horizon 2020.

**Accounting practices and audits**

17. The promise of broader acceptance of usual accounting practices and fewer audits and controls is welcome. However, there is considerable disappointment across the UK sector at the proposal that the audit threshold should be reduced from €375,000 in FP7 to €325,000 in Horizon 2020. This would be likely to increase costs and the administrative burden, and would divert limited funds from research to bureaucracy.
VAT
18. The sector welcomes proposals for non-recoverable VAT to be included as an eligible cost under Horizon 2020. The sector recognises that this will be dependent on Financial Regulations, rather than Horizon 2020.

Funding regime

19. The UK higher education sector strongly supports proposed measures to reimburse 100% of direct costs, which is for many UK institutions the most important financial issue for the sustainability of university participation in EU programmes. Real recovery of direct costs is particularly important in the current economic climate as it enables institutions to recruit staff specifically to work on Horizon 2020 projects, and thus to enhance and build up the next generation of researchers in Europe.

20. However, the proposal for a single flat rate of 20% for reimbursement of indirect costs has received mixed reactions from the UK sector.

21. One concern for the sector is the reduction in reimbursement rate of management costs. There is a possibility this will lead to a reduction in the number of UK universities leading collaborative projects, with a resulting negative impact on UK participation in collaborative projects generally. While the problem is likely to be particularly acute in the UK because of the way its institutions are funded, the reduction in reimbursement level for management costs could lead to an increased reluctance on the part of European institutions more generally to coordinate collaborative projects.

22. A possible solution, supported by many UK institutions, would be to increase the contribution to indirect costs to higher than 20%, raising the flat rate to a level more commensurate with realistic overhead rates.

23. While institutions are supportive of the increased simplicity and transparency of the proposed funding regime, there is some concern that the adoption of a mandatory flat rate of 20% would detract from the long-term sustainability of the funding schemes, particularly if coupled with the removal of the full-cost-based reimbursement option.

24. Flat rate and lump sum options can be useful in particular circumstances, and should be increased in size under Horizon 2020 to reflect actual project costs more realistically. However, flat rate and lump sum options should be retained on an optional basis, and should not be mandatory.
Variations in the rules across Horizon 2020

25. The draft rules of participation make provision for a range of reimbursement mechanisms, including use of lump sums, flat rates and scale of units, as well as reimbursement of eligible costs. At the same time, Horizon 2020 would allow for reimbursement rates for particular topics or actions to be set anywhere between 70% and 100%, and would allow for the possibility of derogation from the standard rules, if justified.

26. At present there is a lack of clarity over which reimbursement methods and rates will apply where, and a concern among UK institutions that the multiple reimbursement mechanisms under Horizon 2020 may in practice result in the programme becoming excessively complex, despite simplification measures.

27. It is important that the Commission provides clear guidance regarding reimbursement processes, and develops an accessible policy clarifying where and how derogation can occur.

Coordination between Horizon 2020 and other programmes

28. In addition to the funding available within Horizon 2020, it is likely that there will be a broad range of other programmes available, such as Joint Technology Initiatives, which will have a direct bearing on the overall success of the aims of the Innovation Union. While these programmes will offer substantial opportunities for institutions, it is crucial that there is a high level of coordination between Horizon 2020 and other programmes. This would help to avoid duplication.

29. As Horizon 2020 is open to the full range of potential beneficiaries, it is important that key areas of research are not excluded on the basis that they are being funded outside the programme. Mechanisms outside the programme may not be open to all, potentially limiting access to funding for certain areas of research.

30. As programmes outside of Horizon 2020 will often be subject to different funding rules, it may also be beneficial for the Commission to avoid confusion and increased bureaucracy by seeking, where possible, to harmonise rules for these programmes. An illustration of the problem comes with a recent statement that the Innovative Medicines Initiative now allows beneficiaries to claim real indirect costs where they are able to do so, whereas Horizon 2020 appears to be heading in the opposite direction. It is crucial that the Commission clarifies what is and what is not included in Horizon 2020, and covered in the rules of participation.
**Sustainability and transparent approach to costing**

31. Considerable disappointment has been expressed across the UK higher education sector at plans set out in Horizon 2020 to remove the option for institutions to use full economic costing methodology to claim real costs.

32. The sector notes that the proposal appears to be contrary to the move towards full economic costing for internal management purposes in many institutions across the EU, which had previously been actively encouraged by the Commission as an important contribution towards sustainability and the modernisation of Europe's higher education sector.

33. While acknowledging the complexity of the current option for UK higher education institutions to claim full costs – TRAC-EC-FP7 – many institutions in the UK remain convinced that the principle of transparent full economic costing is the only way to secure long-term commitment to European research activity, and guarantee its sustainability.

34. The UK sector strongly urges the Commission to develop a simpler system for certification for beneficiaries wishing to use a simplified method to calculate real indirect costs, and to include it in Horizon 2020 as an option for those institutions that choose to use it.

35. By using a sector-wide Transparent Approach to Costing (TRAC), UK higher education institutions have accumulated experience of identifying and calculating the full costs of their activities. The UK Treasury accepted TRAC as a robust methodology for allocating significant increases in research funding, and then protecting research in cash terms at a time of drastic reductions elsewhere. The UK higher education sector will continue to work with other countries, the European University Association (EUA), and the European Commission to advance the case for a transparent approach to costing and sustainable reimbursement rates for funding from Horizon 2020.

**Marie Curie**

36. The UK higher education sector welcomes the continued commitment of Horizon 2020 to the Marie Curie Actions (MCA). The Marie Curie scheme has been particularly successful in encouraging the mobility of researchers across the European Research Area, and providing valuable research training for the predominantly young researchers who form the future of the EU's science base.
37. However, while the proposed budget allocation of €5.75 billion technically represents an increase of 21%, there is significant concern across the sector that in real terms the current proposals would see a drop in budget from the 2013 level of almost €1 billion to a 2014 level of only €0.7 billion, with the budget not reaching FP7 levels again until 2019.

38. With the MCA schemes already heavily oversubscribed, the sector calls on the Commission to increase the proportion of the research and innovation budget allocated to the flagship MCA (Initial Training Networks, Incoming International Fellowships, and Intra European Fellowships, International Outgoing Fellowships) so as to allow for a sustained year-on-year increase in funding from 2013.

39. One way to do this would be to avoid the dilution of the flagship MCA in favour of the more recent Cofund Scheme. The UK higher education sector notes that Horizon 2020 contains strong signals towards increased allocation of the MCA budget into co-funding schemes, especially with national funders. There is a real danger that significant parts of the MCA budget will become inaccessible to institutions in member states where funders do not participate.

Excellence and cohesion

40. The UK higher education sector strongly supports the commitment of Horizon 2020 to the use of excellence as the prime criterion for determining receipt of research funding in Europe. At a time of fiscal constraints and increasing competition from other regions of the world, research quality has to be the overriding factor in the distribution of research funding at the European level if we are to compete on the international stage.

European Research Council

41. The UK higher education sector strongly supports plans to expand the European Research Council (ERC) after 2013 with no changes to the basic model of bottom-up research led by a principal investigator. The sector calls on the Commission and the Parliament to work together to ensure the proposed budget increase of 77% is adopted.

42. The ERC has become a ‘beacon’ for excellence across Europe, embedding the principles of excellence and bottom-up research at the heart of European research. The ERC raises the standards of national research efforts by setting a clear and inspirational target for frontier research in Europe, and demonstrates the real added value that can come from EU-funded activities. It is also important to recognise the ERC’s role in attracting and retaining world-class researchers in Europe.
Synergies between Horizon 2020 and the Structural Funds

43. The UK higher education sector recognises that peaks of excellence do not work in isolation from the rest of the system. Europe’s research capacity also depends on the existence of a broad research base that supports the development of innovation capacity and entrepreneurial opportunity. It is important that EU programmes to support research and innovation take account of the importance of developing the research capacity of EU regions in receipt of Structural Funds, and continue to recognise that clusters of organisations (including higher education institutions), businesses and regional authorities can facilitate excellence by developing particular areas of regional comparative advantage.

44. For this reason, the UK higher education sector supports the Commission’s proposals to strengthen interactions between Horizon 2020 and the Structural Funds by developing a clearer division of labour between the two programmes. Such concentration of resources would enhance potential for developing synergies between the programmes, and would substantially expand the focus of the Structural Funds on building research and innovation capacity. This has the potential to significantly increase the resources available to organisations, including universities, for capacity building in research and innovation.

45. The sector also supports the Commission’s proposal that regions produce their own regional innovation strategies based on ‘smart specialisation’ with European Regional Development Fund funding concentrated on three key themes, one of which is research and innovation.

46. The sector welcomes the concept of a ‘stairway to excellence’ referenced in the Horizon 2020 proposal, and the positive work that has already been done around the development of synergies between the Structural Funds and FP7. There is considerable support from within the sector to link Structural Fund initiatives for capacity building with the networking and twinning schemes proposed in Horizon 2020 to facilitate widening participation. There is particular support for the idea of a ‘teaming of excellence’, as proposed by the European Parliament’s Industry, Transport, Research and Energy Committee, and the development of joint strategies to develop centres of excellence in less developed regions, as set out in Proposal for a Council Decision of 30 October 2011. This approach to developing capacity and spreading excellence in research meshes well with UK universities’ impact agenda.
Openness of Horizon 2020 to international cooperation

47. There is widespread support across the UK higher education sector for Horizon 2020’s aspiration to adopt a more focused approach towards cooperation with countries outside the EU. In order to secure the objective of being a world leader in science it is crucial that the EU supports the development of internationally-based collaborations, including those with emerging economies and developing countries.

48. However, UK institutions note that there is a lack of clarity in new plans for international collaboration under Horizon 2020. While the political aspirations to further open up the programme to international partners are clearly stated, the measures proposed to bring this about appear largely to be a continuation of previous mechanisms to promote cooperation with global partners.

49. UK institutions are further concerned that there is only minimal visibility with respect to how high-level EU policy on collaboration with non-EU partners filters down into internationally targeted calls, which often appear to be determined on an ad hoc basis. The UK higher education sector calls on the Commission to develop a transparent mechanism for this to happen, and to clarify how new solutions of the type needed to address global issues will be developed under Horizon 2020.

50. At the policy level, it is crucial that proposals in this area respect Member States’ ongoing links and programmes, and that new mechanisms complement these.

Societal challenges

51. There is broad support from across the UK higher education sector for the societal challenge approach overall, and the specific areas of challenge identified in the Horizon 2020 proposal.

52. The one challenge area causing UK institutions some concern is the ‘Inclusive, Innovative and Secure Societies’ strand. While the sector recognises its importance, concerns have been expressed that the strand lacks coherence and there is a feeling that it could be more clearly thought out. A number of UK institutions have also pointed out that this strand seems to have become a catch-all for themes and initiatives which do not fit easily elsewhere, such as the ‘Science and Society’ programme, and the intergovernmental COST framework.

53. Horizon 2020 sets out only minimal information about how the societal challenges will be managed, and what they will look like at work programme level (for example, how open will topics be and how will the co-funding mechanisms work?). It is important
that the Commission liaises with stakeholders in developing these details, and bears in mind the need to ensure consistency of process across each challenge area.

**Social sciences and humanities**

54. There is widespread agreement across the sector that the social sciences and humanities play an important role in ensuring the compatibility of excellent science with the needs and concerns of European citizens. As such, the sector welcomes Horizon 2020’s statement that social science and humanities research should be an integral part of all of the societal challenges set out by the Commission.

55. Noting the increased investment by other regions and countries, notably China, in the social sciences and humanities, the sector calls on the Commission and the Parliament to ensure that the impetus to include social science and humanities research structurally in Horizon 2020 is carried through to the programme’s execution.

**European Institute of Innovation and Technology**

56. The UK higher education sector acknowledges the important role of the EIT in encouraging greater collaboration between industry and higher education.

57. However, it is crucial that there is clarity from the Commission on how the EIT is positioned in relation to Horizon 2020. Given that the remit of the EIT is to concentrate on the development of training and entrepreneurship rather than research itself, the sector calls on the Commission to ensure that Horizon 2020 includes a clear statement on the relationship between the EIT’s Knowledge and Innovation Communities, and the societal challenges identified in Horizon 2020.

58. As the EIT is not a funding body per se, focusing as it does more on the leveraging of funding, it is crucial that there is a clear justification for the ten-fold increase in funding for EIT activities proposed under Horizon 2020. The UK higher education sector would encourage clarity on this issue.

59. The sector also strongly supports plans to streamline the EIT’s administration and governance structures.
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