

Policy Title	CLASSIFICATION AND MANAGEMENT OF RESEARCH FUNDING
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1. INTRODUCTION

1.1 Description

Imperial College is an exempt charity (not a registered charity) under the Exempt Charities Order 1962 and the Second Schedule to the Charities Act 1993. To ensure that the College's research activity is classed as charitable (irrespective of funding source) and such activity remains tax exempt, the College must fulfil certain criteria.

The research must further the charitable purposes of the Higher Education Institution (HEI) **and** be conducted for the public benefit, i.e. the purpose must be beneficial, and any detriment or harm that results from the purpose must not outweigh the overall benefit; and the purpose must benefit the public. It is expected that the results of research should be published within a reasonable timeframe.

In addition, Higher Education Institutions must ensure the correct accounting treatment for external research funding (i.e. in line with Financial Reporting Standards (FRS102) and statutory reporting requirements for research income as specified by Research England).

1.2 Aims

This document outlines the process and responsibilities for classifying external research funding, along with best practice for account set up and management using the following assessment criteria:

- Purpose of funding and how this satisfies the conditions of charitable status
- Existence of 'project scope'
- Conditions attached to the funding

1.3 Glossary of Terms

Table 1 – Key Terms

Project Scope	<p>Externally sponsored research funding must have documented project scope that is either:</p> <ul style="list-style-type: none">• Agreed with the funder at the outset in the grant or contract awarded OR• Agreed in a forum where collaborating external organisations are represented and able to influence the direction of the project and be involved in decisions on the particular research projects to be undertaken. <p>Whilst 'scope' is not explicitly defined by the Higher Education Statistics Agency (HESA), there should be reference to a defined area of research. Evidence that the funder has an ongoing association or interest in the research area is also helpful.</p> <p>Self-restriction is not permissible. It is not sufficient justification for a Principal Investigator (PI) or Head of Department (HoD) to determine and document the research activity that will be undertaken with the funding. The "research" classification in the College's Financial Accounts is exclusively for externally funded research, the direction of which is (to a greater or lesser extent) determined by the funder. Use of the "research" classification is NOT determined by the activity the funds are spent on.</p>
Performance Related Condition (PRC)	<p>A condition that requires performance of a particular level of service or units of output to be delivered, and where payment, or entitlement to the resources, is conditional on that performance.</p> <p>Accounting treatment - Income is deferred, i.e. recognised in line with expenditure.</p>
Restriction	<p>A requirement that limits or directs the purposes for which a resource may be used that does not meet the definition of a PRC, e.g. funding awarded to a particular PI, Department or area of research.</p> <p>Accounting treatment - Income is recognised once received or receivable.</p>

2. FINANCIAL REPORTING

Funding is reported in the [College Annual Report and Accounts](#) and to the [Higher Education Statistics Agency \(HESA\)](#). Classification is based on specific criteria and managed through different account codes.

Table 2 – Type of Funding and Account Code

Type of Funding	Criteria	Account Code	College Annual Report and Accounts	HESA Finance Record
Research Grants and Contracts	<ul style="list-style-type: none"> Meets definition of research Has agreed Project Scope Has Performance Related Conditions 	P Code	Research Grants and Contracts	Research Grants and Contracts (Table 4)
Research Grants and Contracts	<ul style="list-style-type: none"> Meets definition of research Has agreed Project Scope Has Performance Related Conditions 	PRC N Code <i>(specific criteria only)</i>	Research Grants and Contracts	Research Grants and Contracts (Table 4)
Other Research	<ul style="list-style-type: none"> Meets definition of research No agreed Project Scope Has Restrictions No Performance Related Conditions 	Restricted N Code	Research Donations (within "Other Income")	Not reported as research
Non-Research and Unrestricted Income	<ul style="list-style-type: none"> Does <u>not</u> meet definition of research 	F, G or I code	Not reported as research	Not reported as research

3. RESPONSIBILITIES FOR CLASSIFYING RESEARCH FUNDING

To classify research funding as either a 'P' code or an 'N' code, this document should be read in conjunction with the following flowcharts:

- Decision Flowchart - [Appendix 1](#)
- Summary Flowchart - [Appendix 2](#)

3.1 Academic Department

Table 3 – Activities and Responsibilities:

Supporting Documentation
Undertake an initial review of the funding offer to determine the purpose of the funding
Decide whether to accept or decline the funding
Notify Faculty Research Services/Joint Research Office or Faculty Finance
If funding is for research purposes - notify Faculty Research Services/Joint Research Office
If funding is for non-research purposes - notify Faculty Finance
Research funding
If funding is classified as a P code - account should be managed in accordance with funder conditions <u>and</u> College guidelines.
If funding is classified as a PRC-N code or Restricted N code - account should be managed in accordance with funder conditions or restrictions <u>and</u> Faculty guidelines.
Non-Research funding
If funding is classified as a F, G or I code - account should be managed in accordance with funder conditions <u>and</u> Faculty guidelines, e.g. consultancy, service provision, other externally funded activity

3.2 Faculty Research Services / Joint Research Office

Table 4 – Activities and Responsibilities:

Supporting Documentation
Check whether adequate supporting documentation has been provided
If no supporting documentation is provided, refer to Faculty Finance for classification as Unrestricted Income .
Definition of Research
Check if funding is for research purposes.
The purpose must meet the Frascati Definition of Research and the Office for Students (OfS) Guidance on Charitable Status for Higher Education Institutions (HEIs)
If funding does <u>not</u> meet both definitions, refer to Faculty Finance for classification as Unrestricted Income .
Project Scope
Check if there is clear evidence of project scope (see 1.3 Glossary of Terms)
Performance Related Conditions (PRCs)
Check if PRCs are associated with the funding and whether this should be a P Code or PRC-N Code (see 4. Classification Criteria).
Where no PRCs exist, check for any Restrictions.
Restrictions
Check if use of funding is Restricted (see 1.3 Glossary of Terms) and whether this should be a Restricted N Code (see 4. Classification Criteria).
Typically, there is no agreed scope of work and no deliverables owed to the funder.
Account Closure and Unspent Balances
As part of the account closure process, check that expenditure has been incurred and claimed in accordance with the terms and conditions of award.
If there is <u>no</u> obligation to return unspent funds to the funder, unspent balances on fixed price awards can be treated as overheads.
Unspent balances cannot be transferred to N Codes.

3.3 Faculty Finance

Table 5 – Activities and Responsibilities:

PRC N Code or Restricted N Code
If funding is referred by Faculty Research Services/Joint Research Office, independently review whether it meets criteria for a PRC N Code or Restricted N Code.
Notify Department
Once a PRC N Code or Restricted N Code has been set-up, notify the Department and provide guidance on any funder conditions or restrictions, account duration and internal / external financial reporting requirements.
Review N Code Portfolio
Periodically review the N Code portfolio to ensure funding is being spent in a timely manner in accordance with any funder conditions.
Non-Research funding
If funding is referred by Faculty Research Services/Joint Research Office which does <u>not</u> meet the definition of research, determine the most appropriate accounting treatment (e.g. F, G or I code) and set up the account accordingly.

4. CLASSIFICATION CRITERIA FOR RESEARCH FUNDING

If funding is for research purposes, Faculty Research Services/Joint Research Office should determine the most appropriate accounting treatment in line with the classification criteria below.

Funding that does not meet the definition of research should be referred to Faculty Finance.

Table 6 – Classification Criteria:

P Code
Meets definition of research
Has agreed Project Scope
Has Performance Related Conditions
Account code is set up by Faculty Research Services / Joint Research Office
PRC N Code
Meets definition of research
Has agreed Project Scope
Has Performance Related Conditions
Funding meets ONE of the following <u>criteria</u> below: <ul style="list-style-type: none"> • Value is £15,000 or less OR • Funding is an industrial ‘top up’ to a PhD studentship (any value) OR e.g. Collaborative Award in Science and Engineering (CASE) • Travel Grants (any value) Funding used for research purposes only
Account code is set up by Faculty Finance
Only the industrial ‘top up’ element can be managed as a PRC N Code. The UKRI block grant element must be managed via a non-research code (see 5.1 below).
Restricted N Code
Meets definition of research
<u>No</u> Project Scope, but use of funding is directed or limited, <i>e.g. restricted to particular PI, Department or area of research</i>
<u>No</u> Performance Related Conditions
Account code is set up by Faculty Finance

5. PHD STUDENTSHIPS

5.1 Block Grants

- a) Block grants specifically awarded to support the training of research students (with no project scope at the outset or named students) cannot be classified as research and should be set-up on a non-research code (commonly a G code).
- b) Examples include Research Council Doctoral Training Partnerships (DTPs); Collaborative Awards in Science and Engineering (CASE); Doctoral Training Grants and Collaborative Training Accounts (or similar postgraduate grants).
- c) Such funding is instead reported to HESA in 'Table 5: Tuition fees and education contracts - Head 4 (Sub-head 4b): Other research training support grants'.
- d) No grants related to the training of postgraduate research students should be reported as research.

5.2 Other PhD Studentship Awards

- a) Funding awarded specifically for a PhD studentship as part of a research grant or contract is treated as research but should be checked for evidence of project scope and performance related conditions (PRCs). Such funding is reported to HESA in 'Table 4: Research grants and contracts'.
- b) Where a student is named in the award, this is considered a PRC.

5.3 Classification Table

Table 6 – Classification Criteria and Account Code:

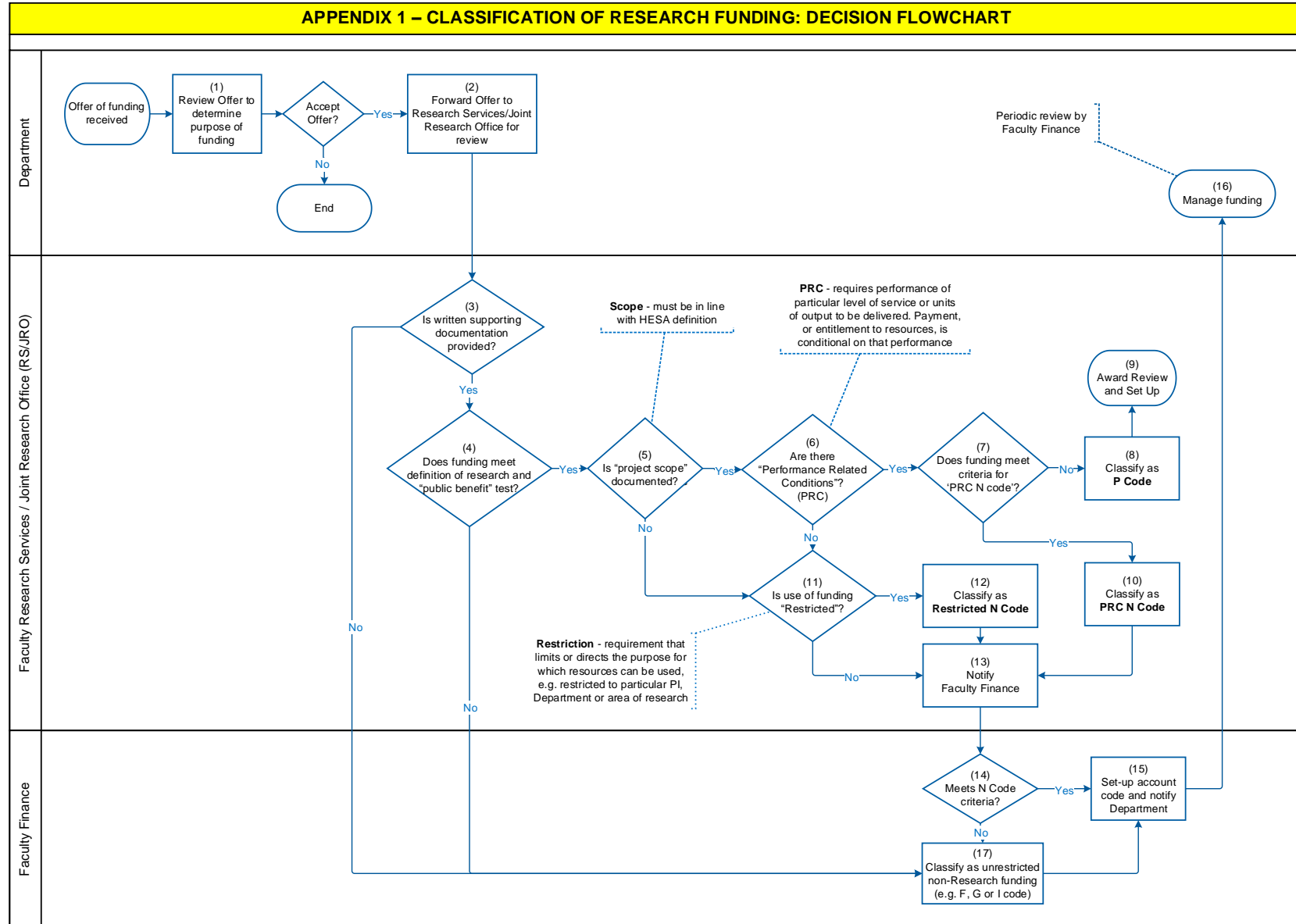
Scenario	Named student?	Project scope?	Other PRCs?	Classification	Account Code	Account Setup Responsibility
1	Yes	Yes	Yes	Research	P Code	Faculty RS/JRO
2	Yes	Yes	No	Research	P Code	Faculty RS/JRO
3	No	Yes	Yes	Research	P Code	Faculty RS/JRO
4	No	Yes	No	Research	Restricted N Code *	Faculty Finance
5	No	No	No	Research	Restricted N Code *	Faculty Finance
6	Yes	No	Yes	Non-Research	PRC I Code **	Faculty Finance
7	Yes	No	No	Non-Research	PRC I Code **	Faculty Finance
8	No	No	Yes	Non-Research	PRC I Code **	Faculty Finance

* There are no PRCs, so the funding cannot be managed through a P Code or PRC N Code. Since the purpose is to fund a PhD studentship (rather than general research), this is considered a Restriction.

** There is no project scope, so the funding cannot be managed through a P Code or PRC N Code. The presence of PRCs means it cannot be managed through a Restricted N Code, therefore the most appropriate accounting treatment is a PRC I code. I codes are used for externally funded non-research activities with PRCs or Restrictions.

6. QUERIES AND ESCALATION

The Research Office is responsible for the maintaining the criteria and guidance governing the classification and management of research funding. Classification queries should be directed to the Research Office in the first instance. If a decision cannot be reached about the classification of research income, this will be referred to the Director of Financial Reporting and Planning.



APPENDIX 2 - CLASSIFICATION OF RESEARCH FUNDING: SUMMARY FLOWCHART
