Excellence Kitemark Awards Technical Report

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The British Academy

cambridge econometrics

clarity from complexity

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1. Overview: Excellence Kitemark Awards Monetisation Analysis

1.1. Introduction

The Excellence Kitemark Awards, also referred to as Academy Research Projects (ARPs), provide long-term core support to Social Sciences, Humanities, and Arts for People and the Economy (SHAPE) research projects that are aiming to produce fundamental collaborative scholarly works (i.e. complete editions, corpora of material, web observations, dictionaries etc.) over an extended period of time. The core grant provides a maximum of £5,000 per year for five years, at which point the project is reviewed and its funding potentially renewed. In addition to sustained financing, the ARP award provides projects with the 'kitemark of excellence' – an endorsement by the British Academy that is an internationally recognised standard of academic and research quality. The British Academy's evaluation efforts have found the kitemark of excellence to be an important signal to external funders that a project is being pursued in accordance with the highest academic standards and that it has the ongoing support of the British Academy.

1.2. Impacts

There are various intended impacts of the ARP programme that create societal value for the UK. The Kitemark awards support long-term projects that require collaboration between numerous researchers and which span several years. Such projects often concern assets (the scholarly works described above) with longstanding research value to the academic community. The kitemark of excellence is an explicit endorsement from the British Academy that helps researchers draw in funding from a variety of sources. The calibre of projects that the Academy identifies has seen the ARP programme consistently produce high-quality outputs. The programme also fosters collaboration among an extended network of humanities and social sciences researchers both in the UK and internationally. However, given the specificities of academic research, and research in SHAPE subjects, compared to other disciplines there are methodological difficulties associated with quantifying/monetising many of these impacts. Perhaps most notably, the outputs of SHAPE research do not always lead to patents or enhancement of the productivity of related industries in ways that have been observed in the analysis of other disciplines (and which have been shown to be amenable to monetisation in these other fields).[1]

In Phase 1 of this project an economic theory of change (TOC)[2] was developed, describing the channels through which the Academy's talent development activities, like the ARP programme, create societal value. This analysis, alongside the stated aims of the Excellence Kitemark Awards, identified the leveraged funding impact channel as producing benefits that are monetisable, given the British Academy's current monitoring and evaluation data. Chapter 2 quantifies the catalytic effects of the ARP programme focusing on the value

[1] See, for example, a productivity-focused approach by Frontier Economics, Rates of return to investment in science and innovation, 2014: https://assets.publishing.service.gov.uk/media/5a7f02a840f0b62305b8490b/bis-14-990-rates-of-return-to-investment-in-science-and-innovation-revised-final-report.pdf

[2] See Appendix A on the Economic Theory of Change.

of follow-on research funding from non-governmental sources leveraged by, and attributable to, award recipients.

2. Leveraged Funding

2.1. Introduction

The Kitemark programme provides long term financing to both new and established ARPs. The core grant funding is limited but sustained, running for up to five years at a time. The financial support is intended to provide consistent support to longitudinal research projects and position award holders to compete for and win more significant grants. The kitemark of excellence is an explicit endorsement of a project by the Academy, identifying that project as being a strong candidate for external funders to support.

Excellence Kitemark awards are intended to fund long-term research projects that produce fundamental scholarly works. The academy determines the quality of proposals by determining how likely the proposed research and methods are to lead to the intended outcomes. Each individual project has different methods and objectives, and Academy funds are available to support the development of projects, direct costs of research, and workshops and exchanges with other scholars relevant to the project. Funding is limited to a maximum of £5,000 per year, and awards are made for five-year periods.

A primary objective of the ARP programme is to help award holders attract (leverage) additional funds to support the production of fundamental scholarly works. This chapter describes this report's approach to a net present value (NPV) analysis of the ARP programme costs and in-scope leveraged funding benefits, before presenting the benefit-cost ratio (BCR) results.

2.2. Analysis

The cost-benefit calculation for leveraged funds depends on four components (see Appendix B on the Cost-Benefit Calculation):

- Costs: equal to the British Academy's expenditure on ARPs (incurred over multiple years and thus discounted to a present value) (1)
- Benefits, consisting of:
  - the real-terms value (in 2023/24 terms) of subsequent (in-scope) leveraged funds (2)
  - an adjustment for the additionality of those leveraged funds (3)
  - the timing of those future funds, which determines the final NPV by applying the standard Green Book discount rate of 3.5%[3] (4)

This section discusses the data available to inform the analysis, and how it feeds into the components above.

[3] The Green Book and accompanying guidance:
https://www.gov.uk/government/collections/the-green-book-and-accompanying-guidance-and-documents

Data

Data were provided by the British Academy detailing the number of ARPs that are currently supported, the years the respective quinquennial cycles of these projects run from and to, and the funding leveraged by Kitemark award recipients during the same period.

Kitemark award holders were asked to provide details of the funding they had leveraged for their projects from UK government and non-government sources. These data form the basis for the analysis in this chapter. Fifty-two ARPs were surveyed and, as is set out below, this information was used to inform an assessment of the average value of leveraged funding per award recipient. The five-year rolling nature of the ARPs complicates the NPV assessment of the leveraged funds and costs incurred per project. To deal with this, the analysis only considers ARPs that are either renewed or newly taken on in each financial year; i.e. the implications of committing to invest in a five-year cohort of ARPs in each of the coming years. This approach simplifies the analysis by making common assumptions about the distribution of costs and leveraged funds for each year assessed. While the costs and benefits used in these calculations represent a fraction of the total ARPs funded in a given year (only those that are renewed or newly awarded), the resultant benefit-cost ratios (BCRs) are indicative of the programme as a whole.

Financial data on the Academy's expenditures and the funds leveraged by Kitemark awardees were provided as originally spent/received i.e. in nominal values of the time (current prices), rather than real values accounting for inflation. This report takes 2023/24 as the relevant base year and inflates or deflates the figures as needed, to real terms.[4] All financial data are thus presented here in constant 2023/24 terms unless stated otherwise.

Costs

The costs to the British Academy considered in this analysis are based on the number of Excellence Kitemark projects that are up for renewal or newly taken on in each financial year. Award recipients can apply for a maximum of £5,000 a year in funding from the ARP programme. This analysis assumes that all ARPs considered in the BCR calculations are awarded this maximum grant value, to match the budgeted value of the programme. This is likely to be a conservative assumption, as the average annual cost per project has varied between £3,300 and £4,350 in recent years. By using the budgeted annual costs per ARP, this analysis establishes a lower bound for the BCRs, while avoiding any potential bias that may relate to only considering a sub-set of projects within the Kitemark programme (recent and upcoming ARPs, rather than those not yet due for review), and ensuring that annual costs are comparable across years.

Table 2.1 presents the number of ARPs that are dated to be reviewed for renewal, or newly awarded, in each of the financial years 2022/23-2025/26. The total value of each award is calculated as £5,000 (in current prices) per year multiplied by the five years in each cycle and then deflated to constant 2023/24 terms. The unchanging nominal value of awards across years results in real costs falling over time. While this dynamic may lead to the ratio of benefits to costs improving in future years, it is also a realistic reflection of the sticky nature the core ARP grant costs. The Excellence Kitemark programme provides limited financial support to help sustain and develop research projects. The upper limit of this funding has been set at a round figure (£5,000 per year) and is not subject to annual revision. While the grants made to specific

[4] This accounts for inflation and ensures that all financial data are comparable prior to the NPV analysis.

projects may be revised in subsequent five-year cycles, they are constant within award periods. Across the five years of the ARP award the real value of the core grant payments, therefore, decreases.

Table 2.1: New and Renewed ARPs per Award Year

	2022/23	2023/24	2024/25	2025/26
Total awards	13	17	12	12
Total lifetime award value (£m)	0.34	0.43	0.30	0.30

Note(s): Award values adjusted to constant 2023/24 pounds (£m).
Source(s): The British Academy.

Leveraged Funds

As part of the monitoring data collected by the Academy, 52 ARPs reported the value of the funding leveraged following their Kitemark awards. These leveraged funds were categorised as originating from either UK government or non-government sources. This report limits its focus to additional leveraged funds that are classified as supplementary to those provided by the UK government, such as private and international sources (see Table 2.2). While Kitemark award recipients do obtain additional funding from UK government sources these funds amount to a transfer in Green Book (2022) terms and have not been included in the value for money analysis. Funds from international sources are in scope because these represent funds not specifically committed by the UK to UK-based research.[5]

In Table 2.2, while figures for leveraged funds are provided in separate breakdowns of funding over time and by funding source, a simultaneous breakdown of the two is not available.[6] This report, therefore, calculates the average in-scope leveraged funding per ARP based on the data in Table 2.2 and the number of Kitemark awards.

[5] As defined, in-scope funds would also include, for example, funding through the European Research Council (ERC). This is because the funding is not guaranteed to support UK research: research consortia must apply (compete) for funding and, if successful, the funds support UK research (have been leveraged). If UK researchers are unsuccessful, then the funding supports research in other countries instead: UK research does not take place. In contrast, if Excellence Kitemark Award alumni are unsuccessful in receiving UK funding (e.g. from UKRI) then UK research still takes place, just by other UK researchers: no new funding has been leveraged.

[6] That is the Academy's monitoring data does not allow for an analysis of the specific year post-Kitemark-award in which funds from an in-scope source were leveraged.

Table 2.2: Leveraged Funding by Source (£m)

Funding Sources	Value of Leveraged Funds (£m)
UK government	7.1
Non-government	6.5
Average In-Scope Leveraged Funds per ARP	0.12

Note(s): The row in grey marks funding from sources considered to be in-scope. This figure was divided by the total number of (52) ARPs to derive the average in-scope leverage funds per ARP.
Data was extracted from the British Academy's database in the financial year 2023/24 and so all funds have, conservatively, been assumed to be in 2023/24 pounds.
Source(s): British Academy.

In Table 2.3 the average in-scope leveraged funding figure is applied to the number of ARPs that are up for renewal or newly awarded in each award year to estimate the total funding leveraged by ARPs across the five-year award cycle. Leveraged funding data are assumed to already be in constant 2023/24 prices, as this is the year of data extraction and exact years cannot be determined from the information recorded in Academy monitoring data. Additionally, the number of ARPs for the 2024/25 and 2025/26 award years represent those up for renewal only, as the number of new awards is not yet known.

Table 2.3: Estimated Total In-Scope Leveraged Funds by Award Year (£m)

	Number of ARPs up for renewal or newly taken on	Total life-time in-scope leveraged funds per award year
2022/23	13	1.62
2023/24	17	2.11
2024/25	12	1.49
2025/26	12	1.49

Note(s): Leveraged funds by cohort are derived from the average leverage per ARP (Table 2.2) and the total number of awards in each award year.
Award values in constant 2023/24 pounds (£).
Source(s): Estimated from British Academy data.

Additionality

Even though the funds identified as in scope for this exercise may not be drawing in or displacing UK government resources from elsewhere, it is still possible that the aforementioned funds could have been secured in the absence of a Kitemark award. This requires an assessment of the additionality of the ARPs: the extent to which award holders are able to leverage funds that would not otherwise have been secured had they not received an Excellence Kitemark Award.

It is not straightforward to isolate any further funds that could have been secured with or without British

Academy ARP schemes. This requires consideration of factors such as the availability of alternatives, whether researchers might simply have applied for further funding anyway (possibly from other sources), whether other (non-ARP) researchers might still have secured those funds from a UK perspective, the extent to which ARPs enhance research skills, and the effect of the excellence kitemark in signalling to alternative funding sources.

As discussed later, the final calculation is relatively more sensitive to the additionality assumption and, given the uncertainty, a range of possible values are considered. After taking into account the goals of the Excellence Kitemark programme, assessing the available qualitative evidence, and engaging with the British Academy, this report identifies 75% as its central/main assumption (see Table 2.4).

Table 2.4: Additionality Assumptions

Additionality		Description	Comments
High	100%	ARPs are entirely additional in effect: no further funding could have been leveraged without the original grants.	Considered to be quite possible.
Central	75%	Three-quarters of the leveraged funds are additional. (One-quarter could have been secured regardless.)	Main estimate.
Low	50%	Low additionality: half the leveraged funds are additional. (Half would have been secured regardless.)	-
Very Low	25%	Low additionality: only one-quarter of the leveraged funds is additional. (Three-quarters would have been secured regardless.)	Considered implausible but tested nevertheless.

The core ARP grant is a small, targeted award that is intended to catalyse further fundraising for research projects that would benefit from the Academy's endorsement. The grant provides ongoing support for multi-year projects, allowing them to make research progress and better positioning them to apply for larger awards. The application process for the Excellence Kitemark awards is highly competitive and provides an opportunity for candidates to hone their project proposition and improve their grant-writing skills. In addition to showing external funders that award holders are capable of winning grants and managing a project, the kitemark of excellence is an explicit endorsement from the Academy. The ARP programme has an established reputation for identifying projects that have high potential but that might not secure funding from other sources.

As such, the main additionality assumption for this analysis is 75% (see Table 2.4). In the British Academy Projects Committee Annual Report Highlights (dated 14/02/2023), it was noted that leveraged funding continues to run at a high level with significant support coming from a variety of sources, including the Michael Bishop Foundation, the Leverhulme Trust, universities, and other private and international trusts. In discussions with the Academy, there have been numerous qualitative reports that the Kitemark awards play a direct and significant role in securing additional funding for projects. There are a number of projects described in the Annual Report Highlights which illustrate these sentiments. On a small-scale, an award holder conducting a project on human rights had external funders commit to matching the Academy's core ARP grant. In another instance, an ARP recipient cited their award and the collaborative network that the Kitemark programme provides access to, as central to their success in winning a €1.5m European Research Council (ERC) grant to support their project over five years. Broadly, ARP award recipients perceive the programme as having a notable positive impact on their ability to leverage future funding. These qualitative reports, and the aims of the Kitemark programme, support an argument for ruling out the lower additionality

levels of 25% and 50%.

Additionally, without the Excellence Kitemark Awards, it is likely a number of projects would not have been able to progress to a point where they were viable candidates for external funding at all. While the direct funding of the ARP programme is limited, the award plays an important role in allowing projects to develop and endorsing award holders' applications for further grants. Without this support from the Academy, it was considered probable that many promising projects would have failed to win the necessary larger grants needed to sustain their research. This means, for some projects, that an additionality of 100% is possible. However, it is not evident that all or most projects would not have progressed were it not for their ARP status. It is also difficult to evidence that the reported additional funding could not have been secured otherwise. As such, while a figure of 100% is not implausible, it is not this report's main estimate.

Timing

The timing of the leveraged funds is relevant because it affects the discount rates and, in turn, the present values of future costs and benefits that feature in the benefit-cost calculation. These considerations are applicable to both the duration of the Kitemark award (the costs) and the subsequent time to secure additional funds thereafter (the benefits).

Each ARP award cycle lasts five financial years and yearly core grant payments are dispersed evenly over the period. The implication of this, as discussed earlier, is the need to discount costs over the course of the award. Regarding benefits, the available monitoring data captures the funds that were leveraged during a certain award cycle. However, it is difficult to pinpoint the specific year in which funding was obtained. Since the funds could have been secured within a range of years following the Kitemark award, this report assumes that funds leveraged are distributed evenly over the five years.[7] The present value of leveraged funding benefits is calculated by discounting these equally shared benefits over the award cycle.

2.3. Results

Table 2.5 presents the estimates of the benefit-cost ratios (BCRs) of the funding leveraged by Excellence Kitemark award holders treating the costs and benefits principally in financial terms. Given the uncertainty of, and sensitivity to, the additionality assumption, four sets of BCRs are reported, testing the likely returns to Excellence Kitemark Awards that are renewed or newly made in each financial year. The estimates are based on figures for costs and leveraged funds as above, with the appropriate discount rates over time, covering the duration of the five-year award period.

[7] The Academy's monitoring data provides a range of years within the quinquennial cycle during which funds were leveraged. In some cases, this narrows scope of possible years to those at the beginning of the award period and in others it spans the whole award cycle. Therefore, while it may be possible to determine that some awards were made in Year 1 following the Kitemark award the even distribution assumption is preferred for consistency. By the nature of discounting (to place less weight on future years), this also serves to produce estimates closer to the likely lower bound.

Table 2.5: Total Estimated Five-year Leveraged Funding BCRs by Cohort

Time since ARP award	Scenarios	Additionality	2022/23	2023/24	2024/25	2025/26
5 years	High	100%	4.69	4.97	5.05	5.14
	Central	75%	3.51	3.73	3.79	3.86
	Low	50%	2.34	2.49	2.53	2.57
	Very Low	25%	1.17	1.24	1.26	1.29

Note(s): Leveraged funding figures are discounted over the course of the ARP using the standard Green Book discount rate of 3.5%.
Leveraged funding value are in constant 2023/24 (£).
Source(s): Cambridge Econometrics calculations.

In the central case, the overall leveraged funding BCRs are in the range 3.51-3.86. Every £1 of ARP funding thus generates a further £3.51-3.86 (in NPV terms) of research funding over five years from in-scope leveraged funds alone. This estimate does not include the returns to the research produced by ARPs following their awards. The BCR estimates in Table 2.5 only capture a narrowly-defined benefit of the ARP programme. Award holders leverage additional funds which exceed, by three and four times, the maximum costs of awarding or renewing five years of ARP funding. Even in the lowest case (very low additionality of the award, of 25%), the leveraged funding benefits of the ARP programme amount to between 117%-129% of programme costs (Table 2.5).

Table 2.6 presents the elements of the BCR calculation for the central case (assuming 75% additionality). The first row (1) of Table 2.6 shows the present value costs of renewing and awarding new ARPs in the years 2022/23 – 2025/26. The benefits (2) are the present values of the funds leveraged by the ARPs in each award year over the course of the five-year award period. The net present values of the leveraged funding benefits are all positive and exceed £1m. Because this analysis only considers the five-year costs of awards that are scheduled for renewal, or newly taken on, in each year the results below do not show the leveraged funds (benefits) arising from existing award holders but, equally, nor do they show the accompanying (comparatively lower) costs. As was noted previously the BCRs are all significantly greater than 1 in the central case.

Table 2.6: Central Case Five-year BCR

	Central Case Five-year Benefit-Cost Ratios			
	Cohort: 2022/23	Cohort: 2023/24	Cohort: 2024/25	Cohort: 2025/26
Costs, £m present value (1)	0.32	0.40	0.28	0.27
Benefits, £m present value (2)	1.13	1.48	1.05	1.05
Benefits, £m net present value (2 -1)	0.81	1.08	0.77	0.77
Benefit-cost ratio (2 / 1)	3.51	3.73	3.79	3.86

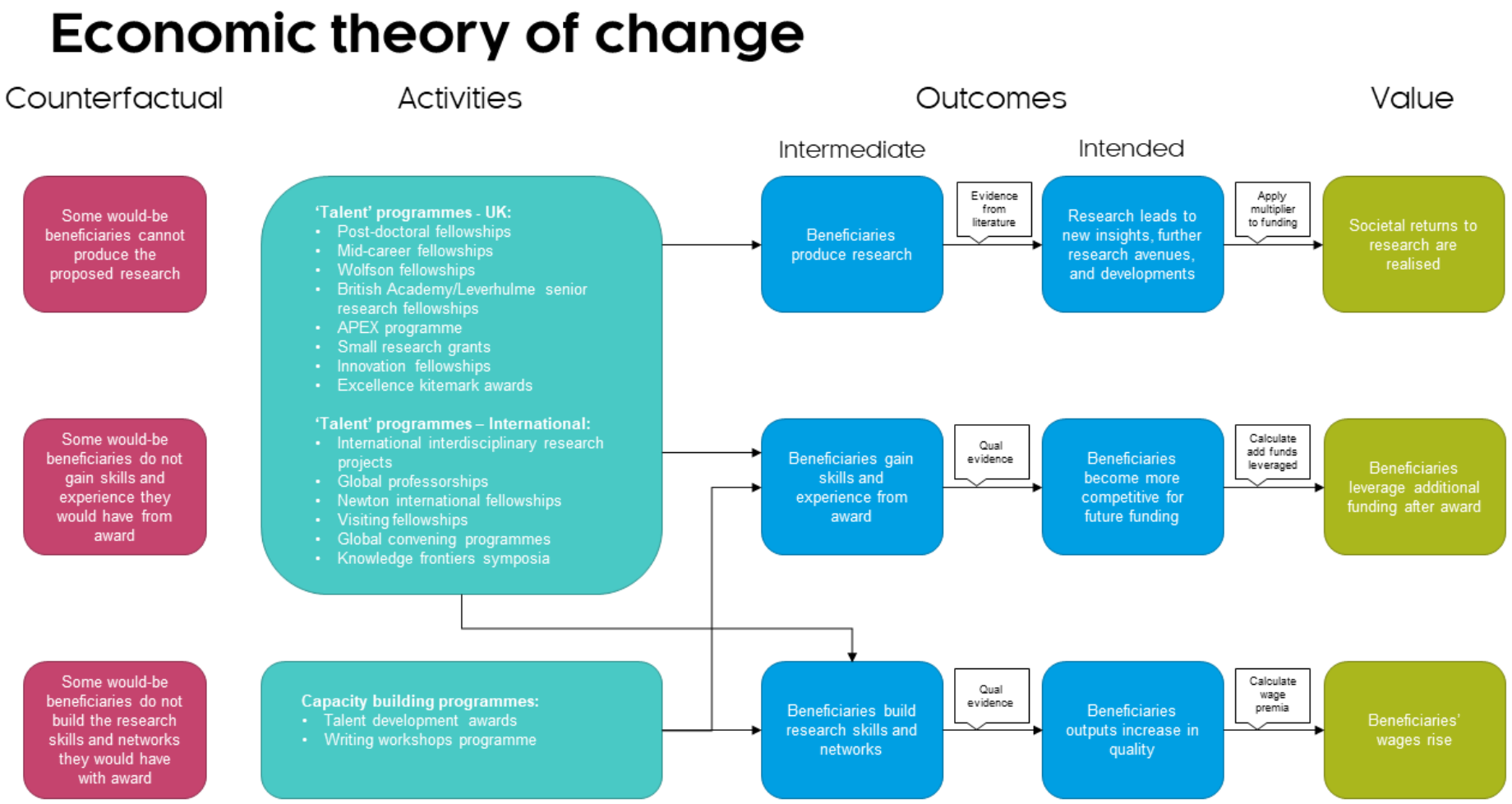
Note(s): The central case employs an additionality assumption of 75% for leveraged funds.
Source(s): Cambridge Econometrics calculations.

As explained in Section 2.2, the real cost of each Excellence Kitemark Award is assumed to fall over time,

as the nominal cost remains fixed. This produces BCRs that are slightly higher in later years than in 2022/23. However, the results are not sensitive to this effect; across all years, the programme is shown to have a BCR well above 1, showing strong value for money.

Appendices

Appendix A - Economic Theory of Change



Appendix B - Cost-Benefit Calculation

The benefit-cost ratio (BCR) is given by:

$$BCR = \frac{benefits_{NPV}}{costs_{NPV}}$$

That is, the BCR is the ratio of benefits to costs once *converted to a common unit* (most typically money) and *expressed in net present value* (NPV) terms.[8]

The BCR gives an indication as to whether an action (which carries a cost):

- generates a net cost, because the benefits are less than the costs (BCR < 1)
- breaks even, with the benefits equalling the costs (BCR = 1)
- generates a net benefit, because the benefits exceed the costs (BCR > 1)

The analytical challenge is that, while costs (past or planned British Academy expenditure) are usually known, benefits and, in turn, the BCR, must be estimated, and in NPV terms.

The approach is to estimate the BCR from the available historical data and then apply it to future costs to project the benefits of future expenditure. This rests on the assumption of a stable BCR i.e. that the historical BCR is a reasonable estimate of the future BCR. Given a(n estimated) BCR, the expected benefits of an action can be calculated from the costs as a rearranged version of the above:

$$benefits_{NPV} = costs_{NPV} \cdot BCR$$

And the net benefits can be calculated as:

$$net\ benefits_{NPV} = benefits_{NPV} - costs_{NPV}$$

Note, however, that it is challenging to fit all impacts of the British Academy's research funding into such a quantitative framework. Not everything is straightforward to quantify, let alone monetise, and estimates are subject to uncertainty. The impacts set out in this report are thus relatively narrow and concern the value of additional research funding leveraged by Kitemark award holders as a result of British Academy activities.

[8] Net present value captures the idea that impacts further into the future are worth less than if they had occurred today. By the application of a discount rate, an impact in 2026 (say) can be expressed in equivalent 2023 terms.