

FREQUENTLY ASKED QUESTIONS ON FULL ECONOMIC COSTS (FEC)

Revised: July 2010

1. How does FEC apply to Research Council-funding activities?

The principle behind FEC funding is that Research Organisations should apply for 100% of the full economic cost of a project. Research Councils then pay a fixed percentage (80%) of this sum, which includes an attribution of the cost of academic staff time, and the institution's facilities, estates & indirect costs. This helps institutions to understand the full costs of the research they carry out and supports their research activities on a sustainable basis, with appropriate investment in research infrastructure, including buildings, facilities, and staff.

2. Which research organisations are affected?

Research Councils apply the same funding arrangements to all organisations that are eligible for their support. Non-university organisations are not expected to use the Transparent Approach to Costing (TRAC) methodology, but Research Councils require a validation process to ensure that non-university costing methodologies are robust. For Research Council Institutes, validation will be by the host Research Council. Default rates are available for use if non-university research organisations are unable to demonstrate that their costing methodologies are robust.

3. Why do Councils pay 80% of FEC?

The decision to fund grants at 80% of FEC was driven by the level of additional funding made available for the transition to FEC and the Government's policy that Research Councils should maintain the volume of research they supported at the time. Modelling of the impact of FEC predicted that 80% of FEC would be the affordable level.

[Note that the £180M pa University Capital Funding scheme equates to around 10% of FEC, meaning that the science budget now funds research in universities at about 90% of FEC.]

4. Can Research Organisations apply for less than standard % FEC (eg. if getting additional funds from elsewhere)?

No. The proposal form asks for 100% FEC and automatically identifies the % FEC that Councils will contribute. If a Research Organisation has part funding for a project coming from another specific earmarked external source, it can apply to the Research Councils for the full economic cost of the resources required to complete the project. The Research Council will contribute 80% of this cost.

5. If Councils fund at 80% of FEC, where does the remaining 20% come from?

Research organisations, in accepting an FEC grant, undertake to provide the remaining 20% from their own resources. In the case of universities, this would be expected to be the QR funds received from the Funding Councils.

6. Are there any exceptions to the percentage of FEC funded by Research Councils?

Yes: project studentships, equipment above £50k and surveys above £50k that are contracted out to an external supplier, following EU procurement rules. In the case of the equipment and surveys exceptions, Councils will pay 80% FEC up to the £50k threshold, and 100% FEC above it. There are also other Council-specific exceptions to FEC which individual Councils are best placed to advise on.

7. Is it consistent with FEC for some grant schemes to have maximum funding caps, as this could prevent the FEC of some projects being recognised and funded?

In principle, this is not inconsistent with FEC, provided institutions tailor their proposals to the financial limit, rather than under-price them. Funding caps apply to the total costs of the grant (i.e. the 100% FEC figure).

8. Why are project studentships an exception?

Postgraduate training is not currently included in Research Councils' FEC funding, so those Councils that fund project studentships will fund them as exceptions. Where project studentship costs are paid on the grant, 100% of stipend and fees will be included, but these students must not be counted in the FTE when charging estates and indirect costs on the application form; nor should any investigator time be funded on the grant to cover provision for student supervision. Any other eligible resources requested for the project student as part of the grant proposal (such as equipment, travel, consumables) are funded at the standard 80% rate.

9. Is the equipment threshold for single items or the total of the equipment heading?

For the total of the heading. (And remember that equipment only covers items over £3k; smaller items should appear under other costs).

10. How is project partner funding, e.g. with industry, calculated?

Project partner contributions are treated as additional to the FEC of the proposal submitted to the Research Council. So if, for example, a company is offering to contribute £50k towards a £150k project, the proposal to the Research Council might seek 80% of the £100k balance, with the Research Organisation contributing £20k.

Alternatively, part of the company contribution could be used as all or part of the Research Organisation's 20% (for example: RO could request requests 80% of £125k from RC, using half of the £50k company contribution as its 20% share).

11. Why do some Research Council initiatives seek to secure additional contributions from universities, as a sign of commitment to an area of research?

In the case of major investments in institutions, such as research centres, it may be appropriate for Councils to negotiate parallel institutional support for such activities, alongside Research Council funding provided at the normal 80% rate.

12. Are subcontractor costs funded at 100%?

In general, no, they are funded at the standard 80%. There are two exceptions: surveys that are contracted out under European procurement rules, where costs in excess of £50k will be funded at 100%; and the cost of gene sequencing contracted out to third parties.

13. Will Councils meet their share of the full cost of inflation?

Councils will continue to index grants using standard government indices.

14. In a RC proposal what is the structure of costs that can be applied for?

Proposals show the total (100%) FEC of the research proposed broken down according to the three summary fund headings defined by TRAC (Directly Incurred, Directly Allocated and Indirect Costs), and their constituent subheadings, and to a fourth (Exceptions) that was introduced by the Research Councils.

15. What is the distinction between Directly Incurred and Directly Allocated costs?

Directly Incurred costs (DI) are those costs that are explicitly identifiable as arising from the conduct of the research, are charged on the basis of the cash amount spent and are verifiable and auditable from the accounting records. Directly Allocated costs (DA) are shared costs charged on estimates, and do not represent actual costs on a project-by-project basis.

16. What do estates costs include?

Estates costs cover those costs related to buildings and premises, including capital (depreciation), maintenance, utilities costs, cleaning, security and safety.

17. What costs would fall under “Other Directly Allocated”?

Other Directly Allocated includes costs of shared resources, such as pooled staff, infrastructure technicians and charge-out rates for equipment and major research facilities and animal costs (where there are no auditable records of use).

18. What are Indirect Costs intended to pay for?

Indirect costs cover the costs of the Research Organisation's management and administrative services, including the personnel and finance departments, library, central computing and some departmental services; plus elements of academic research support time.

19. Can Research Organisations apply for pooled staff effort such as technicians or secretaries?

Yes they can, provided their costs are not already included in the estates or indirect cost rates. Pooled staff effort is usually taken to mean access to staff effort where the specific individuals/posts work on several projects or activities. Typically they would not be completing timesheets and would be requested under Other Directly Allocated costs; although they may be requested under directly incurred if timesheets are in use.

20. How can I apply for technician support?

There are three ways of seeking funding for technician support:

- I. Applying for access to a pool of technician effort – the proposal should include number of hours required and the cost/hour. This can be either directly incurred (requiring technicians to complete timesheets if not working 100% of contracted time on the grant) or, more usually, directly allocated.
- II. Applying for specific (named or unnamed) technician posts – the proposal should include full details of staff costs and amount of time required. Again, this can be either directly incurred (requiring timesheets if not working 100% of contracted time on the grant) or directly allocated.
- III. Infrastructure technicians – if your institution has calculated infrastructure technician rates (separately from estate rates), they should be added to the proposal in the same way as estates and indirect rates, that is as a standard rate/research FTE. The inclusion of a charge for infrastructure technicians, along with the per-FTE rate in use, does not need to be justified and will not be assessed.

21. Can the costs of recruitment and relocation be requested?

Recruitment costs can be included in DI provided they occur after the date of the award letter. Relocation costs may be included for named staff who will be moving, provided the Research Organisation has a general policy in place to pay relocation costs and they are not already included as part of indirect costs.

22. Can the costs of dissemination be requested?

The costs of dissemination can be included under directly incurred if they are expected to fall within the period of the grant; otherwise they should be included in the institution's calculation of its indirect cost rates.

23. Is formula funding allowed under FEC?

No. Formula funding, in which standard amounts of certain resources (such as travel and subsistence, consumables, support staff) are awarded (for example, per researcher), is based on the assumption that any shortfall between requirements and the standard amounts awarded will be met by the institution. While this approach was sometimes used pre-FEC, it is not consistent with FEC principles, which require the full cost of the research to be indicated. Resources should be requested at the required level and should be justified.

24. Can the cost of carbon offsets, related to expenditure on the grant, be included?

No. Carbon offsets are not a direct research cost and will not therefore be funded on grants.

25. Can redundancy costs be requested?

No. Redundancy costs are covered by the return for financing and investment (RFI) element that is included within indirect costs.

26. Can the costs of childcare be requested?

The costs of additional childcare, beyond that required to meet the normal contracted requirements of the job, and that are directly related to the project, may be requested as a directly incurred cost if the institutional policy is to reimburse them. However, childcare costs associated with normal working patterns may not be sought.

27. Can insurance costs be requested?

Insurance costs are expected to be included as part of indirect costs, but may be requested as directly incurred costs where it can be shown that the cost arises specifically as a result of the project funded by the grant, is not covered by existing institutional policies, and is separately identifiable and audited.

28. Are there any costs that are not admissible under directly incurred?

There are some costs that should not be requested under directly incurred on the grounds that Councils expect them to be covered by the indirect costs of the institution. These

include employment-related costs of investigators (excluding fellows), such as maternity, paternity and sick pay; redundancy costs; the costs of minor items of office consumables and any costs falling outside the period of the grant (such as proposal preparation costs and dissemination costs – although recruitment costs may be requested). Otherwise, costs may be requested under directly incurred if they meet the general requirement that they are project-specific, auditable costs. Councils recognise that some Research Organisations may have costing arrangements that enable them to put costs under directly incurred that in other institutions would be within indirect costs.

29. Do all costs need to be justified?

The funds requested for infrastructure technicians, estates and indirect costs do not need to be justified (although their FTE drivers do) Otherwise, the need for all the resources requested to carry out the project must be justified in the proposal. This includes all the directly incurred costs, investigator effort, use of pooled staff resources and access to any major or small research facilities and equipment.

30. Is there a requirement for justification of estates costs in a proposal?

No justification is required for estates or indirect costs, as the TRAC methods are designed to ensure that, overall, estates costs charged to projects are a fair and reasonable reflection of the costs incurred.

31. Do non-research staff FTE contribute to the indirect and estates costs on proposals?

No. The FTE used as the multiplier for indirect and estates (and infrastructure technicians) costs is based on research staff on the project (including researchers, investigators and visiting researchers). Technicians and other research support staff, such as computer officers, project managers, engineers etc, are not regarded as research staff. The TRAC Guidance provides details. (Note that in exceptional cases individuals employed as technicians, nurses etc can be treated by the RO as research staff, and categorised as such on the proposal form; in such cases the staff would attract an indirect and estate cost)

32. What are default rates? How are they calculated and where do I find them?

The TRAC dispensation default rates are reviewed annually by representatives of RCUK and the UK HE funding bodies. Institutions eligible for dispensation can apply dispensation default rates. Eligibility is currently defined as institutions with less than £500,000 annual research income from public sponsors. The rates are published on the HEFCE website

<http://www.hefce.ac.uk/finance/fundinghe/TransparencyReview/rates.asp>

33. How does FEC work for research that takes place away from the home institution?

Where a Research Organisation receives a grant for research that involves significant periods away from the home institution for one or more research staff, indirect costs can be included for those individuals, but estates charges should only be included if the researchers concerned are working at another UK Research Organisation eligible to receive RC research grants, including estates costs. Under such circumstances, Councils would expect the grant-holding organisation to pass the relevant share of estates costs to the organisation hosting the staff. There should be no reduction in costs for temporary or short-term absence (less than 6 months per absence).

34. Are the indirect and estate costs rates used by each organisation in the public domain?

No: proposals show costs, not the rates they are based on.

35. Where equipment has been funded by a Research Council grant, how should usage be charged out on other grants?

A relevant share of the calculated annual costs of the equipment can be charged to each grant using the equipment. This may be either directly incurred, if usage by each project is auditable and charged based on actual usage; or directly allocated if based on estimates. The calculated annual costs include depreciation, which is then deducted from the estates costs. (Note that, if the equipment was originally purchased with Research Council funding, the actual depreciation was never charged to the estates cost in the first place, so by deducting it, the total FEC of the project includes no net charge for this depreciation. The TRAC Guidance sets out a procedure for this.)

36. Why is investigator time normally directly allocated rather than directly incurred?

Directly allocated costs are charged on estimates rather than actual time/costs incurred. As Investigator time will usually be charged on estimates, rather than actuals derived from timesheets, it will usually come under DA (although Fellows should be directly incurred).

37. When can investigators be charged as directly incurred?

When their time spent on the grant is subject to an audit record, which means either they are contracted to work 100% on the project or timesheets are in place.

38. What constitutes an acceptable audit record for the time spent by directly incurred staff on the grant?

Timesheets are not a requirement of TRAC. However, for staff costs to be treated as directly incurred (where the individual is not working 100% of their time dedicated to one project), then:

- Monthly timesheets should be retained over the life of all Research Council funded projects and these should be completed on a timely basis
- Timesheets should include all activities as defined by TRAC (teaching, research (by sponsor type) and other, including time spent supervising PGRs) and keep a record of time spent against individual Research Council projects
- Timesheets should be completed on an all hours worked basis totalling the cumulative hours per month (as a minimum time period)
- The timesheet should be authorised as a minimum by the relevant line manager.

If these requirements are met, then the relevant staff costs can be classified as directly incurred on Research Council proposals, without the requirement of other staff in the department producing timesheets.

39. Can the costs of freeing up academic staff time for research, for example through teaching replacements, be requested?

No. FEC relates to research and the underlying principle is that the full cost of the research project should be calculated, including the cost of the researcher's time on the project. The cost of a teaching replacement is considered to be related to teaching, not research.

40. How do the Research Councils ensure that academic staff time charged to grants does not exceed the permitted limits?

Research Councils will not fund investigators for more than 100% of their salary, which equates to 1650 hours/year (equivalent to 37.5 hours a week, 44 weeks pa). Councils accept the need for flexibility in relation to individuals because of the difficulties of estimating both time and the likelihood of success of applications. They will seek assurance at organisation level that the costs paid for investigators are in balance with the total time attributed to grants.

41. What happens if an investigator works more than 1650 hours p.a.?

Investigators should not recover from the Research Councils more than their total costs to the Research Organisation. The 1650 hours p.a. maximum refers to the amount of time charged to Research Council grants. Investigators can indicate that they will spend more time than this on Research Council grants, but cannot charge for more time than this.

42. What happens if an investigator is unpaid or has his or her salary paid from another source?

If an investigator already has 100% of his or her salary met through other external sources of public funding, including other Research Council grants (for example, a Fellowship), funded on an FEC basis, the form should show the amount of time to be spent on the grant, but with zero hours charged to the grant. If the investigator is unpaid,

or receives salary wholly funded through non-FEC sources (for example, a pre-FEC Fellowship), their time can still be charged to the grant for the purpose of determining estates, infrastructure technicians and indirect costs. In this case, the relevant amount of time to be charged to the grant should be shown, but with a zero salary

43. If an investigator spends more than the amount of time originally estimated on the proposal, how does the Research Organisation recover the costs?

Investigators' costs shown as DA on grants will be paid on the estimates shown on the grant announcement – no more, no less. If they are DI, their costs can be vired with other DI costs. Any additional costs incurred over budget will need to be met out of the Research Organisation's own resources.

44. Investigator time on the project is averaged over the length of the grant, but if some is for writing up at the end where should this be estimated?

This should be rolled into the total time.

45. The cost of writing up final reports can be included but what about the cost of preparing the proposal?

These costs are taken into account in the indirect cost calculations, as part of research support activities.

46. Should we use average band values or actual values for salaries?

Research Organisations can choose either method, as long as they are consistent within the organisation. The TRAC Guidance gives details.

47. Will peer reviewers see investigators' salaries?

Peer reviewers will see all costs, which will include a salary figure, but, if Directly Allocated, they will not know how it has been calculated (i.e. actual or banding).

48. Is it possible to start a grant only with investigator resource?

Yes, provided there are no directly incurred staff posts scheduled to be appointed from the start date and no other directly incurred costs expected to be incurred from the start date.

49. Where a grant is transferred to a new institution, will it be re-costed?

Grants will never be re-costed on account of transfers. The balance of unspent funds will be available for transfer following financial reconciliation of the grant.

50. What are the virement rules?

Virement is permitted only within and between Directly Incurred and Exceptions costs, at the appropriate percentage of FEC.

51. What happens about the payment of directly allocated and indirect costs where a project has substantial change in the use of funds over its lifetime? For example, extra or fewer RAs used.

Directly Allocated and Indirect costs will normally be paid as awarded (unless the grant has been affected by transfer, early termination or financial sanction). However, a proportionate reduction should be made in the value of estates, infrastructure technicians and indirect costs claimed in the FES if a post that attracted these costs was not filled; or where a staff member in a post that attracted the costs left more than six months before the end of the period for which the post was funded and was either not replaced, or was replaced by a category of staff that does not attract the costs.