

Full Economic Costing:- Updated guidance notes for peer reviewers

1. Purpose of this document

Since September 2005, the UK Research Councils have awarded research grants on a full economic cost (fEC) basis. Consequently, Councils now pay a fixed proportion, currently 80%, of the total fEC of research projects with institutions providing the balance.

Guidance notes for peer reviewers were produced at the time to support the process. This document is an updated version of that guidance and incorporates developments in the implementation of fEC since 2005.

2. General principles for peer reviewers

The main task for peer reviewers remains to assess the merit of research proposals according to the relevant Council's assessment criteria. The implementation of fEC does not detract from this overriding principle. However, the introduction of fEC has resulted in new costs appearing on research grant applications and this document is designed to offer guidance on how these costs will be sought and how they should be considered throughout the peer review process.

In this regard, there are no significant changes to the basic principles outlined by the Research Councils at the time of FEC implementation in 2005. The main requirement for peer reviewers is to assess the level of resources required to undertake the project and not their unit cost.

In particular, peer reviewers do not have to consider or question the derivation of costs established in accordance with the approved costing methodology (TRAC for universities). It should be noted that the Research Councils have undertaken a Quality Assurance and Validation project to review the implementation of TRAC at universities to seek assurance that, amongst other things, the costs are being derived in accordance with TRAC principles.

Peer Review may consider the full cost of a proposal if the overall value for money of the proposed project forms part of the assessment criteria. (for example, where two grants are deemed to be of equal merit).

However, it may be difficult and inappropriate to compare the costs of similar grants across institutions. This is because institutions are encouraged to identify as many costs as possible as separate, usually directly incurred, costs, but the extent to which they will do so will differ because of different accounting practices between institutions. For example, some universities will recover the costs of

operating research facilities from their Estates rates, charged across all grants; whereas others will charge them out separately as a specific cost item on grants for which they are a required resource.

Peer reviewers will need to ensure that clear feedback is provided when reductions are made to awards.

3. Overview of Resource Headings

Grant proposals summarise the resources requested under four summary fund headings. They show the full economic cost of the resources requested along with the portion to be charged to the Research Council (currently set at 80%)

The four summary fund headings are as follows:

- 1) Directly Incurred costs: These are costs which are specific to a project and will be charged to the project on the basis of actual costs incurred. They must be supported by an audit record, which will usually be an invoice. Costs may be vired in the course of a grant within this heading.
- 2) Directly Allocated costs: These are costs that will be charged to a project on the basis of estimated use rather than actual costs. Research Councils will settle these costs in full on the basis of these estimates at the end of a grant. Costs may not be vired out of this heading into other headings.
- 3) Indirect costs: These are a share of the resources that cannot be directly attributed to individual research projects by nature of their activities. Examples would include libraries, support services costs such as HR, Finance, etc.
- 4) Exceptions: These consist of items that would normally come within the Directly Incurred heading but are separated out because the Research Council will fund them at 100% of fEC rather than the standard 80%. For peer review purposes, they should be considered in the same way as other Directly Incurred costs.

4. Guidance on assessing individual resource headings

i) Directly Incurred costs and Exceptions

These will be listed under the following sub-headings:

- Staff: This will be staff who are dedicated to the research project or if not, can provide timesheets as a supporting audit record of the time they spend on a project.
- Equipment

- .Travel and subsistence
- “Other costs

Peer reviewers should assess the justification for all of these resources. All costs which relate to the proposed research, and which can be supported by an audit record, are admissible as directly incurred costs, with two specific exceptions. These are costs relating to preparing the grant application and redundancy costs which should be covered by indirect costs. In addition, the cost of minor items of office consumables are normally expected to be recovered through indirect costs.

ii) Directly Allocated costs

These will be listed under three sub-headings:

i) Investigator costs.

These are usually the costs of the Principal Investigator and any Co-Investigators who will be working on the grant. Their salaries (which may either be actuals or an average band rate) are calculated by multiplying the salary rate by the total number of hours each will spend on the project over its duration. (Investigator costs may also be sought under directly incurred if the relevant qualifying criteria are met in accordance with TRAC principles).

The maximum amount of time that Councils will fund for a single PI across all the projects that they support is 1650 hours a year which equates to 37.5 hours per week over 44 weeks per annum.

Because investigators may well work more hours than this, it is possible for RCs to fund all, or nearly all of their salaries even though they may also be undertaking teaching or other duties. In such cases, RCs reserve the right to seek reassurance from the institution that the investigator has sufficient time to devote to the research project(s).

Peer reviewers should assess the justification for the estimated amount of time each investigator proposes to charge to the project as well as the number of investigators sought on each application. There are no minimum requirements for the amount of investigator time to be spent on a project; however, peer reviewers will expect a level commensurate with the proposed work. Peer reviewers should not question the salary/band rate of any individual investigator.

Legitimate considerations for peer reviewers include:

- Is the estimated time consistent with their proposed involvement in the project
- Is this involvement necessary (or sufficient) for the successful prosecution and management of the research proposal

- Is the time estimate a realistic expectation

It is possible for an investigator to allocate no cost to their involvement in a project (for example where their time is wholly funded through other grants), or to charge for only part of the time they are to spend on the project. In such cases, peer reviewers should consider whether the total time the investigator proposes to spend on the project is sufficient and realistic.

Investigators may include an estimate of final report writing up time in a proposal but not any time related to student supervision as this remains outside of the scope of fEC at present.

ii) Estates costs¹

These provide a share of the cost of providing the physical infrastructure for research. They will be calculated by each institution using its own cost rates and will therefore vary between institutions.

The Estates rates are not subject to scrutiny by peer review. They will be based on the research staff effort assigned to the project so any changes to the research effort will impact upon the final level awarded. Where this is the case, Institutions will be asked to recalculate these prior to an award being made by way of the ten day turnaround process.

iii) Other Directly Allocated Costs

These will include costs of access to institutional research facilities including major equipment, IT systems, clean rooms and technicians who are not working 100% on a project and not completing timesheets. Unit costs will frequently appear as charge rates.

Peer review should assess the requirement for the requested amount or level of access but not the actual charge rate applied.

Institutions must separate out the cost of infrastructure technicians separately from their Estates costs. This category of technicians does not need to be justified, or reviewed, since it is, like Estates and indirect costs, derived from a per-FTE formula rate and effectively represents another overhead which was initially a component of the Estates costs.

iii) Indirect costs¹

As with estates costs, these will be charged in proportion to the amount of research effort requested on a grant and are not subject to scrutiny by peer review. They will be calculated by institutions using their own cost rates and these will vary across institutions.

As they will be based on the amount of research staff effort assigned to the project, any changes to the research effort awarded will impact on the level awarded. Where this is the case, Institutions will be asked to recalculate these prior to an award being made by way of the ten day turnaround process.

¹ Estates and Indirect cost rates at UK universities are subject to a Quality Assurance review led by the Research Councils to ensure that the correct methodology is being applied and all rates are calculated correctly.