

UK Research and Innovation

INDEPENDENT RESEARCH ORGANISATION SELF-ASSESSMENT QUESTIONNAIRE FOR PROJECT FUNDING UNDER FULL ECONOMIC COSTS (FEC) –

UK Research and Innovation (UKRI) fund 80% of the full economic costs of research and fellowship projects. Higher Education Institutes (HEIs) are required to adopt a methodology for calculating FEC called the Transparent Approach to Costing (TRAC), which has been accepted by UKRI as robust and reliable.

UKRI applies the same funding arrangements to all eligible research organisations. IROs are therefore expected to calculate the FEC of each project. They are not expected to use the TRAC methodology, but must either have a robust costing methodology in place or use dispensation rates. Current dispensation rates can be found at <https://www.ukri.org/about-us/policies-and-standards/funding-assurance-programme/>

There is detailed guidance on the calculation of FEC by Higher Education Institutions, available in the TRAC guidance <http://www.jcpsq.ac.uk/guidance/index.htm>

Although IROs do not have to adhere to TRAC guidance, they do need to follow the same principles when costing their projects unless they wish to use dispensation rates. Some examples of how HEIs are following these principles are given at the back of the questionnaire.

The attached questionnaire has been designed:

- to provide IROs with information about the costing requirements – principles and methods - that are to be met when drawing up the FEC on bids for UKRI funding;
- to give UKRI assurance that these costing requirements will be met;
- to provide guidance on the approach to be taken if the Research Councils are not given satisfactory assurance that all requirements will be met.

This questionnaire needs to be completed by any IRO which wishes to submit bids for UKRI funding.

The questionnaire should be signed by a responsible officer having been certified as correct by auditors unless you are seeking to use dispensation rates. Please provide the name of an individual to whom queries can be directed.

UKRI reserve the right to review the methods described and require alternative methods to be followed if they do not consider that they have received satisfactory assurance on robustness. These alternative methods are described under each point. They generally lead to a lower assessment of proposal costs than the robust methods, and thus lower funding, and they do not represent good costing practice.

I would be grateful if you could return your completed questionnaire to allow assessment by the Research Councils. Questionnaires should be returned to Grants System Support at the the following e-mail address; grantssystemsupport@rcuk.ac.uk

You will receive a formal note of the outcome for your organisation as soon as possible which will apply to all UKRI funding for research projects and fellowships.

Once methods have been agreed for your organisation they should be followed. You must notify us of any change in your costing process by completing a further questionnaire (contact the Je-S helpdesk).

Yours sincerely,

Gareth MacDonald
Head of Funding Assurance
UK Research and Innovation

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Assessment of methods used to establish FEC

The research proposal form should be prepared in accordance with the information given in Research Council funding guides. This requires the FEC of a project to be submitted under certain headings - directly incurred, directly allocated, indirect costs and exceptions.

The following covers the costing principles and methods that have been used to derive the FEC. It focuses on both cost estimation prior to application, and on the costs charged to the project cost records post-award.

UKRI will fund 80% of the FEC, apart from costs falling under the exceptions heading.

Part A. Organisation details

Name of organisation/division:

What period will this take effect from

Submission authorised by (senior officer)
(name in block capitals)
(post title)
(signature & date)

Certified by (name of auditors)¹
(address)
.....

Contact for correspondence about this submission
(name in block capitals)
(job title)
(contact telephone no.)
(email address)
(address)
.....
.....

Do you intend using the dispensation rates for estates and indirect costs ? YES / NO

If NO, please specify your estates and indirect cost rates in £ per research FTE as well as the financial accounting period to which they relate.

Please identify which Research Council you are applying to for funding, and the name of the scheme/programme if you have this information:

The following sets out the requirements. Please tick if you are in compliance. Space has been left for you to provide explanation if appropriate. If you have methods that do not follow these principles, but are as robust, and you do not wish to use the default rates, then please provide a brief description of your methods.

¹ Not required if you are wishing to use dispensation rates

Part B1. Directly incurred costs

These are costs of resources dedicated to the project. If the project did not take place, then the expenditure would not be incurred, or it would be wholly dedicated to another project or activity. Examples are: research assistants, consumables, travel and subsistence, dedicated technicians, equipment purchases.

Costs are estimated when the project application is made, on the basis of the likely actual cost that will be incurred.

(NB not including inflation)

Post-award, these actual costs incurred must be charged to the project. These costs must be verifiable through actual purchase invoices, salary records and project-level timesheets.

Requirement	Tick if requirement is met	Explanation/description (if appropriate)
B1.1 Staff work only on the project being bid for. Actual salaries are then charged to the project.		
B1.2 If staff work on more than one project, they complete timesheets, at least monthly, at project level, that cover all of their time and activities. Their salary costs are then charged to the project on the basis of time actually worked.		
B1.3 For travel and subsistence, consumables, equipment purchases, etc, the relevant invoice is charged to the project.		

Part B2. Directly allocated costs

These are costs of resources that are shared between several projects or activities, and whose use is estimated. If the project did not take place, then the expenditure would still be incurred – the resource might be less well used, or other projects might take up some spare capacity. Examples are:

- Investigators and researchers who work on more than one project, but do not complete project-level timesheets;
- pool technicians who support a number of projects or who provide infrastructure services to one or more research areas;
- research facilities (large items of equipment, animal houses, major facilities);
- estates (the costs of the space in the research area required for the project, and local support space).

Costs are estimated when the application is made - on the basis of the number of units that are likely to be used (e.g. hours) multiplied by a cost per unit (e.g. cost per hour). These are called charge-out rates. These must be calculated robustly.

Post-award, the costs originally estimated must be charged to the project to provide verification for funding purposes. UKRI will pay estimated costs as charged, within the total awarded. They will not accept increases.

Requirement	Tick if requirement is met	Explanation/description (if appropriate)
<p>B2.1 Investigators/research staff estimate the time they spend working directly on the project. This does not include time spent on non-research activities (in universities - teaching or consultancy). It does not include time spent on administration, management or scholarship (maintaining professional skills or knowledge).</p>		
<p>B2.2 Charge-out rates for academic and research staff:</p> <ul style="list-style-type: none"> a. are based on actual salaries for those staff, or pay bandings reflecting the average pay of staff of that type. A reasonable assumption for increments and promotions can be included; b. if hourly rates are used, the assumption of working hours in a year or week includes a fair and reasonable assessment of the hours worked on all activities (including research effort, management and administration) and on holidays, sickness etc. ⁱ 		
<p>B2.3 There is a procedure for totalling costs charged to Research Council projects for academic and research staff time, each year, and for reviewing and verifying that these are broadly equal to the costs of the time that has actually been spent by staff, taking one year with another. ⁱⁱ</p>		
<p>B2.4 Major research facilities of your organisation are charged, through charge-out rates, as directly allocated costs. These include animal houses.ⁱⁱⁱ</p> <p>If not met, these costs cannot be charged to projects if separate</p>		

<p>charge-out rates are not calculated. They must not be included in the estates cost or indirect cost.</p>		
<p>B2.5 The annual costs used to calculate the charge-out rates are excluded from the indirect cost or estates cost totals used to calculate the indirect cost or estates charge-out rates.</p> <p>If not met ► the default rates for both indirect costs and estates costs must be applied; and no other charge-out rates can be applied.</p>		
<p>B2.6 Charge-out rates for major research facilities assume full economic costs of the facility. It is not necessary to know the original purchase price (an annual depreciation based on estimated replacement cost can be used). The FEC can include depreciation (but not for equipment purchased using UKRI funds), based on a realistic life, maintenance, operating costs including technicians and consumables, and estates.^{iv}</p> <p>Charge-out rates for major research facilities assume reasonably efficient utilisation of the facility</p>		
<p>B2.7 Estates charges are based on actual estates costs incurred in the last year's audited financial statements, and are updated annually.</p> <p>If not met ► the default estates rates must be applied. These are not penalty rates (they are averages of university rates).</p>		
<p>B2.8 Estates charges cover those of research areas (and research support areas) but not the estates costs of central service departments such as central finance. A robust method^v is used to allocate all estates costs between:</p> <ul style="list-style-type: none"> • divisions (if required) • activities within the RO in question (research and non-research activities). 		

<p>B2.9 A robust method^{vi} is used to charge the costs of research space to projects. This ensures that projects that require laboratory space are charged at a different rate to projects that only require non-laboratory space.</p> <p>The rates should be based on a charge (£) per research FTE per annum. A robust method must be used to calculate FTEs.^{vii}</p> <p>If not met ► the default estates rates (£/FTE) must be applied. They can only be applied to academic/research staff FTEs, not to support staff. (Neither can they be converted to rates expressed as a % of salaries or of costs.)</p>		
<p>B2.10 The only adjustments made to the estates costs in the audited financial statements are:</p> <ol style="list-style-type: none"> a. a fair and reasonable assessment of the additional depreciation that would be charged each year if (i) the current cost basis of accounting was used rather than historical cost (ii) the RO was charged for the assets that it used, by its parent or similar organisation providing its assets; b. a deduction from the estates costs to reflect the additional depreciation being included in the charge-out rate for major facilities. (The charge-out is based on replacement cost whereas the financial statements might only include historic cost.) <p>NB These are the only adjustments that can be made.</p>		
<p>B2.11 A record of the directly allocated costs charged to the project is kept for each year.</p> <p>Details of individual cost items need not be maintained, as long as there is an audit trail back to the calculations supporting the original project application.</p>		

Part C. Indirect costs

Requirement	Tick if requirement is met	Explanation/description (if appropriate)
<p>C.1 Indirect costs are charged to projects through an indirect cost charge-out rate for research.</p> <p>This can cover:</p> <ul style="list-style-type: none"> • central service departments and their estates costs; • the costs of the time spent on management, administration and scholarship by researchers whose time is not being wholly charged to research – i.e. staff who are directly allocated, not directly incurred (as only time on research can be directly allocated to a project, their management time is recovered through the indirect cost rate);^{viii} • secretarial and administrative staff, and non-staff costs in academic departments, that are not a directly incurred cost on a research project; • a surplus or cost of capital employed (COCE). <p>For all four elements, only the proportion attributable to research is included in the indirect cost rate.</p>		
<p>C.2 No cost element that is charged to projects as an indirect cost is also charged to projects as a directly incurred cost or a directly allocated cost.</p>		
<p>C.3 The indirect cost rates can include interest and a surplus. However, these two elements must not in total exceed 5% of all other research costs.</p> <p>If not met ► a lower COCE rate must be included, or the default indirect cost rate must be applied.</p>		
<p>C.4 The indirect costs have been allocated between research, teaching, and other activities using fair and reasonable cost drivers...^{ix}</p>		

C.5 Indirect cost rates are based on actual indirect costs incurred in the last year's audited financial statements		
C.6 The indirect cost rate for research is applied to research projects in a robust way. ^x		

Part E. Other requirements

Requirement	Tick if requirement is met	Explanation/description (if appropriate)
E.1 Applications are costed at year 1 prices ^{xi} , according to current prices with no inflation. Indexation will be applied by UKRI		
E.2 Charge-out rates are calculated each year, and revised rates are applied to all new applications on the same date each year. ^{xii}		
E.3 The costing methodology used is applied consistently over years, and between projects.		

Notes on methods that comply with the TRAC principles.

ⁱ 1650 hours a year is considered fair and reasonable in universities.

An alternative to using an hourly rate would be to estimate time as a % of a working year, with the % applied to the total salary. Hourly rates would not then be calculated. This is not considered good practice in universities, but is acceptable under TRAC.

ⁱⁱ Universities use the periodic time survey described under (viii) below to verify that the total of the costs they have charged to Research Council projects are fair and reasonable, taking one year with another.

ⁱⁱⁱ Small pieces of equipment can also be charged as directly allocated costs.

^{iv} The FEC of the facility can exclude some of the cost elements listed.

^v In universities a robust method involves identifying the cost of research space by:

- a. identifying what each room or group of rooms is used for (ie teaching, research, other income-generating activities, or central services);
- b. classifying every room or group of rooms as high or low cost space (using four types of space);
- c. calculating the total estates cost of teaching, research, other income-generating activities, and central services - using (a) and (b) above - confirming they total to the costs in the financial statements

^{vi} In universities a robust method involves two charge-out rates based on a cost per FTE (full-time-equivalent):

- the directly allocated and directly incurred time researchers spent working on research; divided by the total estates costs of research;
- for each of laboratory and non-laboratory departments;

where:

- the (FTE) number of academic and research staff working on research (i.e. the time they spent on research in the year which the financial statements cover) is obtained from a survey of time, undertaken every three years see (viii) below; applied to the number of staff working in each year;
- the FTE count excludes management and administrative time (i.e. it is the same time that could be included as a directly incurred or directly allocated cost on a research project application);
- both the FTEs and the estates costs are allocated to either laboratory or non-laboratory departments.

Alternative methods could be used, providing that they are as robust e.g. the square metres of each type of space (laboratory, non-laboratory, workshops, offices) required for a project, multiplied by a cost for each different type of square metre.

^{vii} In universities, full-time equivalent staff numbers for Research are made up of 100% of the time of researchers who are dedicated to projects (e.g. directly incurred) and the time that academics spend on direct Research activities. The academic time is obtained through a survey of the time of every academic covering one year, every three years. This survey identifies the time spent on direct Research work, Teaching, consultancy and Other activities, and Support (management, administration and scholarship). Research work is analysed by research sponsor type – Research Councils are a research sponsor type.

^{viii} In universities, the time academics spent on management, administration and scholarship (Support) is obtained through the academic time survey referred to under (vii) above. This is allocated to Teaching, Research and Other. The Research allocation is included in the Research indirect cost total.

^{ix} Universities use student numbers, square metres, staff FTEs, head of department estimates, all other costs, and a range of other cost drivers.

^x In universities a single indirect cost rate for Research is applied:

total indirect costs for Research

divided by

FTEs of academic/research staff working on research.

The FTEs are those described in the calculation given under (vii) above.

Alternative methods include calculating rates for different locations, or different departments. A rate could be based on a % of salary rather than a £/FTE, although this is not the basis in HE, and is not considered good practice.

^{xi} Indirect costs and estates costs based on the previous year's accounts can be indexed for two years' inflation before they are used to calculate the indirect and estates costs at year 1 prices.

^{xii} 1 February is used by universities, as their financial year runs until 31 July and their financial statements are only finalised by 31 December.