

FREQUENTLY ASKED QUESTIONS ON FULL ECONOMIC COSTS (FEC)

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Questions and Answers

What is FEC funding?

1. How does FEC apply to Research Council funding?

All Research Organisations (ROs) should indicate the full economic costs in their grant proposals. Research Councils then pay a fixed percentage (80% for most fund headings) of this sum, with the balance expected to be funded from the ROs own funding streams.

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2. Which research organisations are affected?

All Organisations applying to the Research Councils are expected to apply FEC principles. UK universities are expected to use TRAC. Non-university organisations are not expected to use TRAC but may either use their own rates if they can evidence similar costing principles to those used by TRAC or use dispensation rates if they are unable to do so, if their research income is below £3M per annum. These can be found at <http://www.hefce.ac.uk/funding/finsustain/trac/default/>

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3. Why do Councils pay 80% of FEC?

The decision to pay at this level was reached in 2005 based on the level of additional funding that was made available to support the government's policy of maintaining research volumes at the time. This was informed by significant modelling work undertaken which predicted that 80% would be the affordable level. Research organisations are expected to fund the remaining 20% from their own resources.

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

No; with the exception of equipment. The proposal form asks for 100% of the full economic costs and automatically identifies the 80% cost 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.

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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.

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

Yes; in the case of equipment, items up to the OJEU procurement threshold are typically funded at around 50%, although there is no fixed percentage; and those above the threshold may be funded at 100%, although, again, this is not fixed. Associated studentships are funded at 100% of the standard values of stipend and fees agreed by councils each year. Externally contracted social surveys are funded within the

Exceptions heading at 100%. There are also other Council- specific exceptions to fEC, such as gene sequencing and International Co-investigator costs on which individual Councils are best placed to advise.

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7. Why are associated studentships an exception?

Postgraduate training is not currently within the scope of fEC funding and are therefore funded as exceptions. Where associated 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.

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

Project partner contributions should be netted off the fEC of the project. So for example, if a company is offering to contribute £50k towards a £150k project, the RO should seek 80% of the £100k balance from the Research Councils.

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9. Are subcontractor costs funded at 100%?

In general, no, they are funded at the standard 80% (and therefore the Research Organisation is expected to cover the remaining 20%). However, for externally contracted social surveys, costs can be funded under the Exceptions heading at 100%.

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Fund headings under FEC

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

Proposals show the total (100%) fEC broken down according to four summary fund headings. These are Directly Incurred (DI), Directly Allocated (DA), Indirect Costs and Exceptions.

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11. 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 undertaken and are verifiable from the accounting records. Directly Allocated (DA) costs are shared costs charged on estimates or apportioned costs, and do not represent directly auditable costs on a project basis.

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12. 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.

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13. 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).

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14. What are Indirect Costs intended to pay for?

Indirect costs cover management and administrative services. These will include HR, IT, legal, registry and finance support, library costs and departments services. Elements of academic research support time, such as proposal preparation are also included as well as any research costs not directly chargeable to the grant (including general laboratory, office consumables, non-specialist computing costs and costs falling outside the grant period).

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15. Can Research Organisations apply for pooled staff effort such as technicians or secretaries? Are they DI or DA?

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 should therefore be sought under the DA heading; although they may be requested under directly incurred if timesheets are in use.

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16. 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, which 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.

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Eligibility of costs under directly incurred

17. 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.

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18. Can the costs of dissemination be requested?

From April 2013, the Research Councils have provided block funding for the costs of publishing journal articles and conference proceedings, so these costs should not be included in grant applications. Publication costs associated with other types of publication, such as books, monographs, critical editions, catalogues etc. may still be requested in research grants under DI if they are expected to fall within the grant period. Otherwise, they should be included in the indirect rate calculation.

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19. 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.

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20. 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.

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21. 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.

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22. Can the costs of childcare/caring responsibilities be requested?

Where participation in activities involve additional care requirements, the expectation is that your employer is approached in the first instance to meet these costs. The costs of additional childcare, and caring responsibilities 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/caring costs associated with normal working patterns may not be sought.

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23. 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.

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24. 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 parental 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.

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Justification of resources requested

25. 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 justification of resources document/case for support. 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.

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26. 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.

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Indirect and estates costs

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

With the exception of BBSRC institutes, whose costing methodology allows technician time to be included in the estates and indirect costs multiplier, the answer is no. In all other cases, 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)

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28. 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 UKRI and the UK HE funding bodies. Institutions eligible for dispensation can apply dispensation default rates. Eligibility is currently defined as institutions with less than £3M annual research income from public sponsors. The rates are published on the HEFCE website

<http://www.rcuk.ac.uk/about/aboutrcuk/aims/units/assurance/dispensation/>

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29. 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 periods of more than six months away from the home institution for one or more research staff, indirect costs may be included for those individuals, including for the time away but estates charges should be included for the period of absence only 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. Where an individual will be working at a non-eligible organisation for a period of six months or more, estates costs should not be charged for the period of absence. Absences for periods of less than six months do not require a reduction in estates costs.

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30. 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.

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Equipment charge out costs

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

A relevant share of the annual costs of the equipment may be charged to each grant involving use of 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. Under TRAC, the annual costs include depreciation, which is then deducted from the estates costs. (Note that, if the equipment was originally purchased with Research Council funding, then, following TRAC, the actual depreciation would not have been 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.)

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Investigator costs

32. 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).

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33. 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.

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34. 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 totaling 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.

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35. 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.

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36. 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.

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37. 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.

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38. What happens if an investigator is unpaid or has their salary paid from another source?

If an investigator already has all or part of his or her salary met from other externally sponsored projects supported from public funding, the research grant proposal should not seek to duplicate this funding as this would constitute double funding. Relevant forms of external funding include research grants, Centre grants, fellowships etc. funded by research councils, government departments or publicly funded learned societies such as the Royal Society. For example, if an investigator's salary is fully supported in this way, the proposal 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.

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39. 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 (unless the grant has been affected by cancellation, early termination or financial sanction). 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.

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40. 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.

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41. 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).

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

Yes, provided there is no directly incurred staff posts scheduled to be appointed from the start date.

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Post-award administration

43. 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.

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44. What are the virement rules?

Virement is permitted only within and between Directly Incurred and Exceptions costs, at the appropriate percentage of FEC, with the exception of the equipment heading. Virement into or out of equipment is not permitted.

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45. 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 the post that attracted these costs was not filled; or where the 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.

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