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Directors of Finance
UK Universities and other Research Organisations

Dear Colleague,

INITIAL FEEDBACK ON FEC RESEARCH APPLICATIONS

Research Councils have been monitoring the introduction of fEC for research applications to assess the understanding of the TRAC¹ costing methodology and the level of compliance with Councils' fEC requirements. This letter provides feedback on our collective experience of applications submitted in the first two months of operation and draws attention to particular points that may need further consideration by applicants and administrators.

In overall terms, the introduction of fEC has gone smoothly and there has been no major interruption of application procedures. Councils are grateful to Research Organisations for all the preparatory work they have undertaken to make this significant process changeover a success. In terms of application numbers, several Councils experienced a slow initial application rate following 1 September, but this was not unexpected and the rate of submissions has picked up in October.

There are six main points arising from our initial review of applications which we wish to draw to the attention of both applicants and administrators. We hope that these will inform future applications and help to ensure a more consistent application of the TRAC methodology and Councils' more detailed requirements.

1. Justification of Investigator time

While there is no need to justify the *salary level* requested for investigators, the *time* itself should be fully justified in the case for support, in relation to the needs of the research project. It is acknowledged that there will be a normalisation period, for both applicants and peer review, during which standards of what is appropriate and acceptable are established; this process will be aided by applicants ensuring that they justify the need for their time.

Applicants should also note that time for supervising postgraduate research students, developing research proposals and preparing publications after the end of the project **must not** be included in investigator time.

¹ Or equivalent costing methodology for Research Organisations not using TRAC.

2. Justification of Resources

Aside from investigator time, there is evidence of lack of adequate justification for other resources, particularly those items which are new or different within fEC. Applicants should note that the only resources that **do not** require justification are:

Investigators' salary levels (but see point 1 above regarding investigators' time)

Estates costs

Indirect costs

Charge out costs for departmental technical and administrative services (in Other DA)

Care should be taken to ensure that all other costs are properly justified; attention is drawn to Directly Allocated costs, such as charge out costs for **major facilities, animal costs and project-specific staff costs** – the need for these resources requires explicit justification, although the basis of costing need not be justified.

3. Charging to Directly Incurred (DI) costs heading

We have identified many instances of small percentages of time for technical, support and research staff being shown as DI costs. Please note that DI costs must be ***charged as actuals and be supported by an auditable record*** – for staff who are not dedicated to a project, this implies the use of timesheets or a similar time-recording system. Unless your organisation has such systems in place, these costs should be shown as Other Directly Allocated – project specific staff costs. You should also ensure that, whether charged as DI or Other DA, these staff costs are not included in estates or indirect costs, to avoid double counting.

Likewise, investigator costs should be entered as DI only if they will be charged as actuals and are supported by an auditable record.

Some applications have shown major facility charge out costs within DI. You should note that a forthcoming amendment to TRAC will designate these charges as DA only. Applicants are asked to work on this basis with immediate effect.

Finally, we have noted frequent requests for minor consumables, such as postage, photocopying, telephone and fax costs within DI. These should all be covered in estates/indirect costs and should not therefore be separately charged.

4. Inconsistent charging for estates and indirect costs

Councils have been surprised by the lack of consistency concerning these charges, as the rates used in applications to date have been highly variable. Our understanding is that ROs will apply a single standard rate for indirect costs and a small number of rates for estates costs, eg laboratory, non laboratory and clinical rates, and that the Finance office or equivalent would supply applicants with the rate to be used. We accept that there will be small variations in costs due to rounding of the research FTE figures. Funding for estates and indirect costs is a pre-requisite of the sustainability which underpins fEC. Councils would not expect applicants to exercise any choice over these charges. As an example, where a value limit applies to an application, estates and indirect costs ***must not*** be reduced to keep the value within the limit. If reductions are necessary, they must be made to DI or DA costs (which might lead to a consequential reduction in estates and indirects). Similarly, investigators ***must not*** enter a zero salary cost to keep within a value limit.

In some cases, the calculation of estates and indirect costs has been incorrect due to a miscalculation of research FTE . In particular, project or tied students, technical and support staff and externally funded research fellows **must not** be included as research FTE for these calculations.

Research Organisations should note that these rates are charged to projects as rate * research FTE * number of years of project. Either the laboratory or non-laboratory (or clinical) estates rate should be used, not both.

5. Contracted Working Week for Investigators

We have noticed that many investigators have misunderstood the question about what their contracted working week is as a percentage of full-time work. Applicants should give the figure that represents the number of hours a week they are **contracted to work** as a percentage of the standard 37.5 hours working week, not the hours attributed to the project. For example, someone who is contracted to work 20 hours a week would enter 53%.

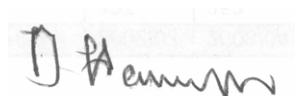
6. Indexation

Councils are continuing to receive many enquiries about the approach to indexation within applications. Applications should be at current (year 1) cost levels. The methodology for establishing this cost is set out in the TRAC manual, and should be applied routinely and consistently within the organisation. Under current arrangements, Research Councils will index grants to take account of inflation over the duration of the project.

You will wish to be aware that Councils have agreed in principle to move to a system by which ROs include all indexation at the time of application, since this approach is more consistent with fEC principles. Councils are currently working with the British Universities Finance Directors' Group (BUFDG) to determine how this will operate and when it will take effect.

I would be grateful if you would arrange for this letter to be made available widely within your organisation to help inform and improve future applications to Research Councils. Could I suggest that you consider putting it on your internal web site? A copy of the letter can be found at <http://www.pparc.ac.uk/jes/DualSupport.asp>. Enquiries should be directed to the Councils' fEC project manager, Ann Durniat (ann.durniat@pparc.ac.uk) in the first instance.

Yours faithfully



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