

# Full Economic Costing Model

As most colleagues will be aware, we are now entering the final, and crucial, phase of preparations for the Full Economic Costing (FEC) of research. Full Economic Costing emerged from the UK Government's reforms (through OST) of dual support funding of University research.

Since 2003, the University has had a Project Team to oversee the implementation of this national requirement to manage research in a sustainable manner, and to cost research on an FEC basis. This involves taking information collected under the transparency review approach to costing III (TRAC III) (i.e. the time allocation data collected from staff in academic departments) and using it together with our statutory account data to cost research on an FEC basis.

From January 2005 Universities are required to cost and manage research projects on a FEC basis. Then from September 2005 all applications to Research Councils must be on a FEC basis. These changes will help the University to obtain a bigger proportion of the costs directly from some of our research funders.

In a series of Newsletter articles between 2003 and 2004, the project team set out the principles behind FEC, and these articles are available directly from the Newsletter, and have been collected on the project website:

[www.gla.ac.uk/staff/fulleconomiccost/](http://www.gla.ac.uk/staff/fulleconomiccost/)

In addition, presentations on FEC have been given to academic and support staff at all levels and in all departments over the last year.

This article is mainly addressed to staff who, having attended these sessions, already understand the basic principles of FEC. It introduces them to the new costing model. Training sessions on the new costing model have been arranged in June, and a further session has been organised for early September. The timing and venue of this will be advertised via the project website.

**Professor Anton Muscatelli, Vice-Principal (Strategy & Budgeting)**

## Introduction

Prior to the implementation of Full Economic Costing (FEC) applications for funding were priced on an “eligible” cost basis. The focus was on the construction of the price for funders based on their rules, rather than on understanding the cost to the University of carrying out an activity. Now, in a FEC environment, we must carry out a four-step process for all projects:

- 1)Identify all of the resources required**
- 2)Use resources identified to calculate the FEC**
- 3)Determine the price**
- 4)Internal authorisation within Glasgow.**

The resources identified in step one are input to the model, are entered into the model, then the costs for Estates and Indirects are calculated based on the number of staff and their department. The price is either determined by funder rules (as in the case of Research Councils) or is a matter for negotiation involving the relevant party in Research and Enterprise.

Previously a salary-costing tool had been developed on Excel and, as an interim measure, this has been extended to include non-salary elements and will be referred to in this article as “the model”. A longer-term solution is being investigated.

This article outlines the process employed within the FEC tool. Staff who have a frequent need to cost projects can receive training and then have access to the model, salary scales, and forms for reports, which are all stored on the web. Training in a computer laboratory started on Monday 13 June, and additional sessions will be arranged if necessary.

The FEC model should be used for all projects from 1 September 2005, and for projects funded by government departments may be used immediately.

### **1)Identification of Resources**

The Principal Investigator (PI), together with any co-investigators, must identify all of the direct resources required to complete the project. This identification should not consider whether or not the funder to whom the application is being made would pay for the level of resource required to undertake the project. Items such as PI time and access charges for use of existing equipment are amongst those that may have previously been ignored

in the determination of cost. The PI is not asked to decide on what to include for Estates or Indirect costs, as these are calculated based on the product of rates for each department and the eligible FTE's.

## **2)Calculation of FEC**

### Summary of the Process

If staff have access to salary information via the payroll BiQuery, then they can run a query, and transfer the data to Excel for use with the FEC model. Staff without such access can only cost salaries if they know the scale, grade, and point for the posts that they wish to include. Once set up, users can open a costing by selecting the “scales” icon macro button on their tool bar. This opens the model from the web.

### Project Details

The first forms are for entering the project details and users can decide to only complete the minimum details required when planning a project or preparing an application. There are further forms that should be selected using the tabs at the top. The model has been designed to minimise the input required (e.g. we do not ask for the PI's department because that data is already held centrally)

### Salaries

The Principal Investigator, any Investigators, and all current staff who are involved in the project should be copied into the model, and transferred to the costing sheet. Then individual staff details are entered e.g. start and end dates, hours, and inflation. Next, any new staff details are entered. When all the staff details have been entered in the costing sheet then the user should then input the management roles.

### Management Roles

A Principal Investigator must be identified for every project. The model will refer to both the number of active projects that the PI already has awarded, and the details for this project, and will recommend the management time required. The user can override this and enter a level of commitment, by task, that they believe more appropriate. This will help inform the HoD and Dean of the reason for the change.

In addition to the project management the PI may have an active research role on the project and they should enter the number of hours that they anticipate devoting to this project. The details for co-investigators are entered in a similar manner, but with the role defined as “Investigator”.

It is extremely important that the estimation of time is as accurate as possible – as it has a significant impact on the project costing:

- Salary costs for PI / Co-I which are pertinent to the project are calculated based on the time identified.
- Determination of “eligible” Full Time Equivalent (FTE)
- Eligible FTE’s then used to allocate Department and Faculty support costs
- Eligible FTE’s then used to allocate ESTATES costs
- Eligible FTE’s also used to allocate INDIRECT Costs

The national guidelines require that the eligible FTE’s figure does not include technical and secretarial staff. Instead their share of the costs is allocated over the “eligible FTE’s”.

#### Non-Salaries

The non-salary costs are entered for the whole of the project, by project year, or by month. This allows the user discretion as to how the costs will be phased across the project. Details are required to be entered by department for each department involved, although users may enter all costs against one department when they are at the planning stage. Under FEC the level of indirect costs depends on the expenditure during the previous financial year (currently we are using 2003/2004). This rate does not vary depending on the funder so the cost model calculates the number of staff (FTE’s for Academic staff) and uses the departmental rates per FTE (accessed from the web page). Similarly the Estates and departmental support costs are calculated based on the FTEs. The FEC is the sum of the salary costs, the non-salary costs, and the Estates, department and Indirect costs.

#### Reports

When the both the salaries and non-salary details have been entered a Project Approval Form (PAF) will be generated, and then the user may choose what additional reports they would like.

### **3)Price**

Once the FEC has been calculated we may calculate a price. In the case of

Charities and Research Councils this requires that we consider the funder's rules on eligibility of costs and also what they will pay for inflation. Some projects may be price based (e.g. industry). The price set may exceed the FEC, but where it is less than FEC then other sources of funds must be used to fund the deficit.

#### **4)Authorisation processes**

These are very similar to those in post prior to FEC except that now it has been agreed by the SMG that the Dean will have ultimate authority. In the interim the paper copy of the PAF will continue to be sent by the PI, to their HoD, Dean and then R&E. When the systems will support it, the order will change to match the authorisation (i.e. PI, HoD, R&E, and then Dean). In some cases additional authorisation may be required e.g. Estates, Purchasing, and the where there are co-investigator's from a different department or faculty then they. their HoD and their Dean should also authorise the form.

#### **Contacts:**

If anyone has a frequent need to cost research projects then please contact Martin Jamieson to arrange a place on the next computer lab workshop.

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Funding Regulations and how to use the FEC cost model – please contact R&E Grant managers in the first instance:

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Any other enquiries regarding Full Economic Costing should be addressed to [fintr@mis.gla.ac.uk](mailto:fintr@mis.gla.ac.uk)

**By Martin Jamieson & Kathleen Sweeney**